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Supreme Court of the United States

OCTOBER TERM, 1936

No. 76

THE COLD METAL PROCESS COMPANY AND THE
UNION NATIONAL BANK OF YOUNGSTOWN,
OHIO, TRUSTEES, PETITIONERS,

UNITED ENGINEERING & FOUNDRY COMPANY

IN WITNESS WHEREOF, THE CLERK OF THE SUPREME COURT OF APPEALS
HAS HEREIN SET HIS HAND AND SEAL

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1955

No. 76

THE COLD METAL PROCESS COMPANY AND THE
UNION NATIONAL BANK OF YOUNGSTOWN,
OHIO, TRUSTEE, PETITIONERS,

vs.

UNITED ENGINEERING & FOUNDRY COMPANY

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

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[fol. 1]

**IN UNITED STATES DISTRICT COURT, WESTERN
DISTRICT OF PENNSYLVANIA**

Equity No. 2991

COLD METAL PROCESS CO.

VS.

UNITED ENGINEERING AND FOUNDRY CO.

DOCKET ENTRIES [COLD METAL VS. UNITED, EQUITY 2991]

1934

Nov. 17. Bill of Complaint filed.

Nov. 17. Subpoena issued.

Nov. 19. On motion of plaintiff, Order entered allowing plaintiffs' Interrogatories to be filed; plaintiffs' Interrogatories filed.

Nov. 19. Order of Court granting rule on defendant, to show cause why a preliminary injunction should not issue; rule returnable Nov. 19, 1934; plaintiff has until Dec. 10, 1934 at 12 o'clock A.M. noon in which to file affidavits, etc., Defendant shall have until Dec. 24, 1934 at 12 o'clock noon in which to file affidavits, etc., to be used in opposition to said motion; that plaintiff has until Dec. 29, 1934 in which to file and serve reply affidavits.

Nov. 30. Objections to plaintiffs' Interrogatories filed.

Nov. 30. Motion to dismiss filed by defendant.

Nov. 30. Notice filed.

Nov. 30. Praecipe for appearance of Brown, Critchlow & Flick for defendant filed.

Dec. 5. Praecipe for appearance of Patterson, Crawford, Arensburg & Dunn for defendant filed and acceptance of service of bill of complaint.

Dec. 27. Notice and acceptance of service filed.

Dec. 27. Notice and acceptance of service filed.

Dec. 27. Supplemental motion for preliminary injunction filed.

Dec. 27. Notice and acceptance of service filed.

1935

Jan. 2. Praecept for appearance of Walter Blenko for plaintiff filed.

[fol. 2] Jan. 3. Hearing on motion to dismiss before McVicar, J. C. A. V.

Jan. 7. Order of Court filed and entered denying defendant's motion to dismiss bill of complaint; defendant given five days to file answer.

Jan. 8. On stipulation order entered directing that previous hearing fixed shall be on oral testimony on plaintiffs' motion for preliminary injunction made Nov. 19, 1934.

Jan. 11. On petition of plaintiff order entered directing that subpoena *duces tecum* be issued.

Jan. 11. On petition of plaintiff order entered directing that subpoena *duces tecum* be issued.

Jan. 12. Defendant's answer filed.

Jan. 14. Hearing on rule to show cause before McVicar, J.

Jan. 15. Hearing continued.

Jan. 15. Hearing concluded C. A. V.

Jan. 15. Trial memo filed.

Jan. 28. Opinion filed and entered refusing motion for preliminary injunction, and the rule to show cause should be discharged; an order shall be prepared accordingly.

Jan. 30. Assignment of errors filed.

Jan. 30. On petition of plaintiff order entered allowing appeal.

Jan. 30. Order of court filed and entered denying motion for preliminary injunction; plaintiff excepts, exception allowed and bill sealed.

Jan. 31. Citation issued returnable Feb. 9, 1935.

Jan. 31. Transcript of Testimony filed.

Feb. 1. Appeal cost bond approved and filed.

[fol. 3] Feb. 8. Order entered extending return day of Citation to Mar. 2, 1935.

Feb. 11. Narrative of transcript of record on appeal filed.

Feb. 21. Stipulation as to preparation & contents of appeal record filed by leave of court.

Feb. 21. Praecept for preparation of transcript of record on appeal filed.

Feb. 28. On stipulation Order entered extending time to

file transcript of record on appeal, to and including March 1, 1935.

Sept. 28. Opinion received from U.S. Circuit Court of Appeals and filed, reversing decision of District Court and allowing injunction and directing to proceed to dispose of other questions raised.

Sept. 28. Mandate received from Circuit Court of appeals reversing the decision of District Court; plaintiff to recover costs in sum of \$155.05.

Dec. 17. Decree filed and entered granting Preliminary Injunction, plaintiff to file bond in the sum of \$500.00.

Dec. 20. Cost Bond in the sum of \$500.00 approved by The Court and filed.

Dec. 19. Injunction filed.

Dec. 19. Injunction returned showing service on George T. Ladd, President of United Engineering & Foundry Co., at Pittsburgh, Pa., on Dec. 21, 1935.

1936

May 11. Notice acceptance of service and Order filed and entered permitting supplemental Bill of Complaint to be filed.

[fol. 4] May 11. Supplemental Bill of Complaint filed.

May 11. Objections to supplemental Bill and the filing thereof filed by defendant.

May 13. Supplemental Bill of Complaint filed.

May 19. Motion to dismiss Supplemental Bill of Complaint filed.

Oct. 26. Hearing on Motion to Dismiss Supplemental Bill before McVicar, J.

Oct. 26. Trial memo filed. Transcript of Hearing filed.

Nov. 6. Opinion and Order filed and entered refusing without prejudice, motion of defendant to dismiss Bill of Complaint.

Nov. 21. Answer to supplemental Bill of Complaint filed by United Engineering & Foundry Co.

1937

June 22. Plaintiffs' motion under rule 33 to strike certain parts of the answer to the Supplemental Bill filed: acceptance of service filed thereon.

1937

June 22. Order of Court filed and entered refusing without prejudice plaintiffs' motion to strike.

Oct. 7. On petition of defendant order entered directing subpoena *duces tecum* issue.

Oct. 16. Amendment to answer to supplemental bill of complaint filed.

Oct. 18. Motion and Order for Writ of Attachment for Abram P. Steckel filed and entered.

Oct. 18. Writ of Attachment issued.

Oct. 18. Writ of Attachment returned H. E. I. as to Abram P. Steckel.

Oct. 19. Order of Court filed and entered adjudging Abram P. Steckel in contempt of Court and the sentence [fol. 5] of the Court is that he pay a fine of \$10.00 and costs.

Oct. 13. Hearing before McVicar, J.

Oct. 14. Hearing continued.

Oct. 15. Hearing continued.

Oct. 16. Amendment to answer hereinbefore filed on Jan. 12, 1935 to bill of complaint, filed.

Oct. 18. Hearing continued.

Oct. 19. Hearing concluded.

Oct. 19. Trial memo filed.

Oct. 20. Removal Order received & filed for Abram P. Steckel.

Nov. 9. Transcript of Testimony citing Contempt of Abram P. Steckel filed by leave of Court.

1938

Jan. 4. Findings of Fact. Conclusions of Law and Opinion filed and entered, Concluding that a decree be submitted in accordance with Findings of Fact, Conclusions of Law and Opinion.

Jan. 31. Hearing on Injunction before McVicar, J.

Jan. 31. Trial memo filed.

Feb. 4. Memorandum opinion filed.

Feb. 4. Interlocutory Decree filed and entered directing that an Injunction issue from this Court enjoining defendant from initiating or prosecuting any suits involving patent 1,779,195 unless and until defendant shall have paid plaintiff amount provided for in paragraph No. 4; and the

preliminary injunction heretofore issued is hereby made permanent; supplemental Bill of Complaint is hereby dismissed as to all matters seeking the rescission of June 20, 1927 contract, and such rescission is refused and denied; [fol. 6] supplemental Bill is hereby dismissed as to all matters seeking a preliminary injunction, defendant to pay to the plaintiff such amount as may be due under the 1927 agreement on mills made and sold by the defendant prior to the date hereof; supplemental Bill and original Bill for alternative relief is dismissed and injunction is refused and denied; supplemental bill and the original bill seeking to enjoin defendant from disposing of any assets is dismissed, and the injunction is refused and denied; defendant's motion to dismiss supplemental bill is hereby refused; plaintiffs' motion to strike out section 45 of defendant's answer is hereby refused; plaintiff recover from defendant its costs to be taxed.

Feb. 8. On petition of plaintiff, Order entered allowing appeal; bond in the sum of \$500 to be filed; assignments of error filed.

Feb. 9. Citation issued returnable March 10, 1938.

Feb. 10. Appeal bond approved by the Court and filed.

Feb. 10. Service of Citation accepted; Citation mailed to Circuit Court of Appeals.

Feb. 18. Stipulation filed and Order entered extending return day of Citation to March 21, 1938; Order mailed to Circuit Court.

Mar. 5. Notice of filing praecipe for record and lodging narrative statement of evidence and acknowledgment of service filed.

Mar. 5. Praecipe for transcript of record filed—Stebbins, Blecko & Parmelee.

[fol. 7] Mar. 14. Praecipe for transcript of record filed by Patterson, Crawford, Arensberg & Dunn.

Mar. 18. Narrative Statement of evidence filed; Stipulation filed and Order entered, approving narrative Statement of evidence.

Mar. 18. Transcript of Testimony filed.

Mar. 18. Hearing on printing record on Appeal before McVicar, J.

Mar. 18. Trial memo filed.

Mar. 19. Supplemental praecipe for transcript of the record filed.

1939

June 19. Opinion received from Circuit Court of Appeals affirming decision of District Court's decree as modified.

1940

Mar. 4. Mandate received from Circuit Court of Appeals affirming the Decree of the District Court as modified by the Circuit Court.

1941

June 20. Motion of defendant to permit filing and service upon plaintiff of the second supplemental answer and counterclaim, filed.

June 24. On motion of defendant, order entered granting rule on plaintiff to show cause why permission should not be given defendant to file second supplemental answer and counterclaim rule returnable Sept. 1, 1941.

Aug. 29. Plaintiff's response to the rule to show cause why defendant's "Second Supplemental Answer and Counterclaim" should not be filed, with acknowledgment [fol. 8] of receipt of a copy of same thereon by defendant, filed.

Dec. 19. On stipulation, order entered discharging bond dated Dec. 18, 1935.

1942

Feb. 9. Hearing on rule to show cause *re*: second answer and counterclaim before McVicar, J. C.A.V.

Feb. 9. Trial memo filed.

Feb. 18. Opinion filed and order entered refusing defendant's motion to file second supplemental answer and counterclaim.

1943

July 7. Notice of motion, and motion to enter modified interlocutory decree filed with acceptance of service thereon.

July 15. Notice of motion filed with acceptance of service thereon.

July 22. Hearing on modification of decree and appointment of master before Schoonmaker, J. C.A.V.

July 22. Trial memo filed.

Sept. 29. Modified Interlocutory Decree filed by order of court to be substituted for the Decree entered Feb. 4, 1938.

1948

Mar. 8. Original papers and exhibits on appeal received from Circuit Court of Appeals.

1949

April 1. Notice, Acceptance of Service, and Motion filed that the Union National Bank of Youngstown, Ohio, as Trustee be substituted as plaintiff in lieu of the Cold Metal Process Co.

[fol. 9] April 5. Order of Court entered directing that the Union National Bank of Youngstown, Ohio, Trustee, be and hereby is joined as a party plaintiff with the Cold Metal Process Co. & that the Union National Bank of Youngstown, Ohio, Trustee, be & is accorded the benefit of and is bound by the proceedings heretofore had or taken in this action.

April 8. Transcript of Proceedings in *re* motion to substitute party plaintiff, before the Honorable Nelson McVicar, at Pgh., Pa., April 5, 1949, filed.

April 14. Letter received from Webb, Mackey & Burden, Esqs., substituting appearance of William H. Webb, Esq., instead of Walter J. Blenko, Esq. (Stebbins, Blenko & Webb—Dissolved.)

July 11. Stipulation *re* Statements by Plaintiffs, filed.

Dec. 9. Notice of Filing Petition for Instructions to Master with acceptance of Service thereon filed.

Dec. 9. Petition for Instructions to the Master regarding further proceedings, filed.

1950

Sept. 22. Hearing on Petition for Instructions to the Master regarding further proceedings, before McVicar, J., begun.

Sept. 26. Opinion of McVicar, J. filed and Order entered directing that petition for instructions to Master is hereby refused.

1950

Oct. 2. Stipulation filed directing Clerk transmit certain relevant documents in this case certified as part of appeal on 7744 Civil Action (filed 7744 Civil Action).

[fol. 10] Aug. 24. Notice of motion, motion to dismiss with acknowledgment of Service thereon filed. (Filed at Civil Action 7744.)

1954

May 28. Report of Master filed.

May 28. Letters sent to counsel.

June 3. Stipulation filed extending time to July 15, 1954 to file Objections to Master's Report, filed May 28, 1954.

July 13. Plaintiff's Objections to the Report of Special Master filed.

July 15. Objections to the Report of the Special Master filed by Defendant.

Sept. 27. Order entered arguments scheduled for 9/29/54 continued to 12/14/54 at 10 A.M.—Willson, J. On or before 11/1/54 plaintiffs and defendants serve briefs; Further Ordered 12/6/54—plaintiffs and defendants file briefs, etc.

Nov. 4. Main brief for plaintiffs in support of plaintiffs' Objections to the Report of the Special Master, filed (copies rec. by J. Willson).

Nov. 5. United's Brief of Objections to Report of the Special Master filed.

Dec. 10. Reply Brief for Plaintiffs on Defendants' objections to Report of Special Master filed.

Dec. 13. United's Reply on Objections to the Report of the Special Master filed.

Dec. 14. Hearing on Exceptions to Master's Report before Willson, J. begun.

Dec. 14. Hearing concluded C.A.V. Trial memo filed.

1955

Jan. 19. Opinion, Willson, J., filed Order of Court entered; and now, this 19th day of January, 1955, after hearing and argument and upon consideration of the briefs, [fol. 11] the Findings of Fact of the Special Master are accepted by the Court, and the Conclusions of Law of the

Special Master are held to be correct; and further, the report of the Special Master is by this Court adopted in all respects; and further, the Clerk is directed to enter judgment in favor of the plaintiffs, The Cold Metal Process Co. and the Union National Bank of Youngstown, Ohio, Trustee, and against defendant, United Engineering & Foundry Co., in the sum of \$387,650.00, with interest from May 28, 1954; And Further, the compensation paid by the parties to J. Garfield Houston, Special Master, in the sum of \$28,000.00, is believed to be reasonable under all the circumstances, and the same is approved; and as the said compensation has been advanced by the plaintiffs and the defendant in equal amounts in accordance with an arrangement made by the parties, the same is approved, and it is the order of this Court that the compensation of the Master be charged against each party in equal amounts, and as the same has already been advanced, no part thereof should be taxed as costs; and likewise, as the parties advanced the sum of \$738.92, covering printing costs paid by the Master, said arrangement is also approved, and it is directed that the same be not taxed as costs.

Jan. 19. Pursuant to Opinion of Willson, J. filed and Order of Court entered, Judgment is hereby entered in favor of the plaintiffs, the Cold Metal Process Co. and the Union National Bank of Youngstown, Ohio, Trustee, and against defendant, United Engineering & Foundry Co. [fol. 13] in the sum of \$387,650.00 with interest from May 28, 1954. James H. Wallace, Jr., Clerk.

Jan. 20. Notices mailed.

Jan. 27. Transcript of official notes of proceedings on hearing on Exceptions to Master's Report held at Pgh., Pa., on 12/14/54, before Willson, J. filed.

Feb. 7. Notice of Appeal filed by attorneys for defendant.

Feb. 7. Bond for costs on Appeal filed.

Feb. 7. Stipulation filed. Order of Court approving Stipulation entered, directing defendant shall not be required to file a supersedeas bond to effect a stay of execution of the judgment entered on Jan. 19, 1955, pending determination of an appeal to the 3rd Circuit Court of Appeals.

Feb. 8. Copy of Notice of Appeal together with certified

1955

copy of Order of Court *re* Supersedeas Bond mailed Clerk U.S. Court of Appeals.

Feb. 8. Copy of Notice of Appeal mailed counsel of Record.

Feb. 16. Notice of Appeal filed by attorneys for plaintiff.

Feb. 16. Bond for costs on appeal filed.

Feb. 17. Copy of Notice of Appeal mailed Clerk U.S. Court of Appeals. Letters to counsel of record.

March 22. Certified copy of Order of Court received from U.S. Court of Appeals directing the appeal of appellant be and hereby is dismissed without prejudice to the right of the District Court, upon application of the appellant to vacate its judgment entered in this cause on January 19, 1955, and to enter a final judgment therein in accordance with the provisions of Rule 54(B) of the Federal Rules of Civil Procedure, filed.

[fol. 13] Mar. 24. Motion of United Engineering and Foundry Company to vacate the Order and Judgment entered on January 19, 1955 and to enter an amended Order and Judgment filed.

Mar. 25. Order of U. S. Court of Appeals, dismissing Appeal in above entitled action, received and filed.

Mar. 25. Order entered directing that Motion of United Engineering Foundry Co. to vacate Order and Judgment of January, 1955 etc., be placed on an Argument List for March 30, 1955.

Mar. 25. Statement of reasons in opposition to defendant's Motion to vacate Order and Judgment entered Jan. 19, 1955 and to enter an amended Order and Judgment filed by plaintiffs.

Mar. 30. Hearing before Willson, J. on Motion of defendant to vacate the Order and Judgment entered January 19, 1955 and to enter an amended Order and Judgment.

Mar. 30. Hearing concluded. Trial Memo filed.

Mar. 30. Order entered after hearing vacating Order entered Jan. 19, 1955, and the Court makes an express determination that there is no just reason for delay in entering an Order and Final Judgment disposing of issues raised by Report of Special Master, filed herein May 28,

1954, and this Court hereby expressly directs the entry of a Final Judgment herein as follows:

(1) The findings of fact of Special Master are accepted by this Court and the conclusions of Law of the Special Master are held to be correct, and further, the Report of the Special Master is adopted by this Court in all respects.

[fol. 14] (2) The Clerk is directed to enter final judgment in favor of the plaintiffs, the Cold Metal Process Company and the Union National Bank of Youngstown, Ohio, Trustee, and against defendant, United Engineering & Foundry Company, in the sum of \$387,650 with Interest from May 28, 1954.

(3) The compensation paid by the parties to J. Garfield Houston, Special Master in the sum of \$28,000.00 is approved, and as the said compensation has been advanced by the plaintiffs and the defendant in equal amounts, in accordance with an arrangement made by the parties, the same is approved, and it is the Order of this Court that his compensation of the Master be charged against each Party in equal amounts, and as the same has already been advanced, no part thereof should be taxed as costs; and likewise, as the parties advanced the sum of \$738.92, covering printing costs paid by the Master, said arrangement is also approved, and it is directed that the same be not taxed as costs.

Mar. 30. Pursuant to Order, Judgment is hereby entered in favor of the plaintiffs, The Cold Metal Process Company and the Union National Bank of Youngstown, Ohio, Trustee, and against defendant, United Engineering and Foundry Company, in the sum of \$387,650.00 with interest from May 28, 1954.

Mar. 31. Notice of Appeal filed by Defendant.

Mar. 31. Copy of Notice of Appeal mailed Clerk U. S. Court of Appeals, and Counsel.

[fol. 15] Mar. 31. Bond for costs on appeal filed.

Mar. 31. Motion for Stay of Execution and Supersedeas pending Appeal filed by Defendant.

Mar. 31. Order entered directing that enforcement of the Judgment entered herein on March 30, 1955 be stayed pending Appeal.

1955

Mar. 31. Order entered fixing amount of Supersedeas Bond, upon filing of which Bond all enforcement of the said Order and judgment are hereby stayed, pending final determination of the appeal from the said order and judgment.

Mar. 31. Supersedeas Bond on Appeal approved by the Court and filed.

Mar. 31. Original record on appeal mailed Clerk U. S. Court of Appeals.

[fol. 16] IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF PENNSYLVANIA

No. 7744

Civil Action

Ancillary to Equity

No. 2991

Cross Complaint

UNITED ENGINEERING AND FOUNDRY COMPANY, Cross
Plaintiff,

v.

THE COLD METAL PROCESS COMPANY, Cross Defendant

DOCKET ENTRIES

1949

Mar. 28. Ancillary Cross-Complaint filed.

Mar. 28. Summons issued.

Mar. 29. Summons returned served with copy and ancillary cross-complaint on Webb, Mackey & Burden, Esqs., on March 28, 1949.

Apr. 1. Notice to take depositions upon oral examination of defendant's officers and directors, filed.

Apr. 5. Order of Court entered denying Notice to take depositions upon oral examination of defendant's officers and directors.

Apr. 5. Hearing on Plaintiff's motion to take depositions, before McVicar, J. filed.

Apr. 5. Hearing concluded. Trial Memo filed.

Apr. 8. Transcript of proceedings, hearing on petition for Order permitting the taking of depositions, Held on Tuesday, April 5, 1949, at Pittsburgh, Pa., before McVicar, J. filed.

[fol. 17] Apr. 15. Motion to dismiss under Rule 12b filed by cross-defendant, with notice and acceptance of service thereon by cross-plaintiff.

Sept. 27. Motion for Preliminary Injunction together with affidavits of J. E. Dickinson, Glen E. Smith and Robert E. Isner, filed by plaintiff.

Oct. 12. Notice of Motion for preliminary injunction, service of same thereon, filed.

Oct. 20. Supplemental affidavit of Joseph E. Dickinson in support of Motion for Preliminary Injunction filed by plaintiff.

Oct. 24. Hearing on Motion for Preliminary Injunction; Motion to Dismiss, before Follmer, J. begun.

Oct. 24. Hearing concluded C.A.V. Trial Memo filed.

Oct. 26. Transcript of Proceedings; Hearing on Motion for Preliminary Injunction and Motion to Dismiss, on Monday, Oct. 24, 1949, before Follmer, J. filed.

Nov. 2. Affidavits of L. A. Beeghly, L. A. Wilson and William H. Webb in opposition to Motion for Preliminary Injunction, filed.

1950

Aug. 30. Rejoinder brief for defendant in opposition to motion for preliminary injunction together with supplemental affidavit of William H. Webb in opposition to the motion for preliminary injunction, filed.

Aug. 30. Cold Metal's proposed Findings of Fact and Conclusions of Law filed.

[fol. 18] Aug. 28. Opinion of Follmer, J., filed and Order entered directing that Cross-Plaintiff's motion for a preliminary injunction be and hereby is denied; that cross-defendant's motion to dismiss the Ancillary Cross-Complaint be and it is hereby granted, and that the Ancillary Cross-Complaint be and it is hereby dismissed.

1950

Aug. 28. Pursuant to Opinion and Order, Motion for a preliminary injunction is hereby denied; and cross-defendant's motion to dismiss the Ancillary Cross-Complaint is hereby granted. Stephen P. Laffey, Clerk.

Aug. 28. Notice sent.

Sept. 15. Notice of Appeal filed by plaintiff.

Sept. 15. Bond for Costs on Appeal filed by plaintiff. (\$250.00)

Sept. 18. Copy of Notice of appeal mailed to the Clerk, United States Court of Appeals, Philadelphia, Pa., and to opposing counsel.

Oct. 2. Stipulation filed directing the Clerk to transmit certain relevant documents in No. 2991 In Equity, certified, as part of the Appeal.

Oct. 6. Original Record on Appeal mailed U. S. Court of Appeals, letters to counsel.

1951

June 11. Opinion of U. S. Court of Appeals, Biggs, J., remanding case to the District Court for consideration of the questions presented anew in the light of this opinion.

[fol. 19] Aug. 7. Order amending Opinion of U. S. Court of Appeals, filed June 8, 1951, be and the same hereby is amended by striking out the contents of Note 17 and substituting in lieu thereof a new Note 17—(see Order from U. S. Court of Appeals in file)

Aug. 15. Mandate of U. S. Court of Appeals received and filed directing the decree of the District Court is hereby vacated, with costs, and the cause remanded with direction to consider the question presented anew in the light of the opinion of this court, and that the Appellant, United Engineering and Foundry Co., recover against the Appellee, The Cold Metal Process Co., the sum of \$372.50 for costs herein expended and have execution therefor.

Aug. 15. Pursuant to Mandate of U. S. Court of Appeals received and filed Judgment is hereby entered in favor of the appellant, United Engineering & Foundry Co., and against the Cold Metal Process Company, Appellee, in the sum of \$372.50. Stephen P. Laffey, Clerk (J. ent. 8/15/51.)

Aug. 24. Notice of Motion filed, Motion to dismiss with acknowledgment of Service thereon filed.

Oct. 29. Amendment to "Ancillary Cross-Complaint" filed, and Amended Ancillary Complaint and Counterclaim filed.

Nov. 19. Motion to Dismiss Amended Ancillary Complaint and Counterclaim filed; Notice of Filing Motion.

[fol. 20] 1952

Mar. 31. Motion for permission Nunc Pro Tunc to file Counterclaim stated in Plaintiff's Pleading filed Oct. 29, 1951.

Mar. 31. Hearing before Burns, J. at Erie, Pa., on motions for permission nunc pro tunc to file counterclaim; motion to dismiss amended ancillary complaint and counterclaim.

Mar. 31. Hearing concluded C.A.V.

Mar. 31. Trial memo filed.

June 4. Hearing on Motion for leave to file counterclaim nunc pro tunc before Burns, J.

June 4. Hearing concluded C.A.V. Trial Memo filed.

Sept. 10. Transcript of Proceedings, filed; Hearing before Burns, J., on March 31, 1952, and June 4, 1952, at Erie, Pa., hearing on "Motion to Dismiss Ancillary Cross-Complaint."

Sept. 24. Order entered, And Now Aug. 5, 1952, the motion of United Engineering and Foundry Company for permission nunc pro tunc to file its counterclaim will be, and it hereby is granted, without prejudice to the right of defendants to plead, assert and prove any defenses, legal or equitable, which it may have to the counterclaim. (Burns, J.) (see copy of letters in file re-date of filing order)

Oct. 3. Affidavit of William H. Webb, filed.

Oct. 3. Affidavit of L. A. Beeghly in Opposition to the Motion for Preliminary Injunction filed.

[fol. 21] Oct. 3. Affidavit of W. B. Lockwood filed.

Oct. 8. Stipulation filed and Order entered allowing time be extended to Oct. 24, 1952, for filing of Answer to Amended Ancillary Complaint and Counterclaim by defendant.

Oct. 24. Answer and Reply to Amended Ancillary Complaint and Counterclaim filed.

Oct. 24. Certificate of service filed.

1953

Oct. 15. Order entered assigning case to Willson, J. for Non-Jury Trial in December, 1953. *

Nov. 9. Motion filed Order entered granting continuance.

1954

July 6. Order entered removing action from Trial Calendar of September 13, 1954, without prejudice to either party, subject to reinstatement for trial at any time by Order of this Court or upon request of either party after reasonable notice . . . consent of counsel thereon.

[fol. 22] IN UNITED STATES DISTRICT COURT

COLD METAL—UNITED AGREEMENT OF JUNE 20, 1927^o

This agreement made at Pittsburgh, Pennsylvania, this 20th day of June, 1927, by and between The Cold Metal Process Company, an Ohio Corporation, of Youngstown, Ohio, hereinafter called "Cold Metals", and United Engineering & Foundry Company, a Pennsylvania Corporation, of Pittsburgh, Pennsylvania, hereinafter called "United", witnesseth that:

Whereas, both parties own certain applications pending in the United States Patent Office relating to 4-high rolling mills and the rolling of thin material; and

Whereas, it has been suggested to the parties by their attorneys that it may be possible to secure claims to a certain subject-matter common to both parties' applications:

Now, therefore, in consideration of the sum of one dollar (\$1.00) and other good and valuable consideration paid by each party to the other party, the receipt of which is hereby acknowledged, and in further consideration of the mutual covenants hereinafter contained, the parties hereto [fol. 23] agree for themselves, their successors and assigns, as follows:

"1. The parties will, through their appropriate officers, immediately hold a conference at which their patent attorneys, Byrnes, Stebbins & Parmelee, shall be authorized

by both parties to suggest claims covering certain subject-matter common to both parties' applications, and which it is understood are not at the present time being presented in Cold Metals applications; together with a plan securing the allowance of such claims.

2. Cold Metals shall not, after such conference, present in its application claims of the scope suggested at the conference, or directed to the subject-matter common to both parties' applications; if such claims are broader or of different scope than the claims now presented in Cold Metals applications, except with the agreement and cooperation of United.

3. When and if such claim or claims to common subject-matter are granted in any patent issued on Cold Metals' applications, Cold Metals shall grant to United a license to make, use and sell rolling mills under such claim or claims, which license shall be exclusive to United for 4-high hot mills and for 4-high cold mills, in which the major portion of the power required by a roll stand is supplied to the rolls directly and not through tension exerted on the material for pulling it through the rolls; Cold Metals, however, reserving the right to make or have made for its own use and to use in its own plant or plants such hot and cold mills, and provided further that Cold Metal shall have the right to make, use and sell, or to license others to make, use or sell, such 4-high hot mills in combination with means for coiling the rolled strip between passes as described in the pending application of A. P. Steckel, Serial No. 198,915, filed June 15, 1927.

[fol. 24] 4. Immediately after such conference and without waiting for such claims to be secured, the parties shall negotiate the payment to be made by United to Cold Metals for such license, when and if granted. If the parties cannot agree upon such payment, the matter shall be submitted to three arbitrators, whose majority decision shall be accepted as final by both parties. The three arbitrators shall be as follows:

Marshall A. Christy, of Pittsburgh, Pa.
Rollin C. Steese, of Youngstown, Ohio.
Charles H. Booth, of Youngstown, Ohio.

In case any of the arbitrators cannot serve, another or other arbitrators may be selected by the parties, but in case the parties cannot agree on such substitute arbitrator or arbitrators, then the above named arbitrators shall select the substitute arbitrator or arbitrators.

In Witness Whereof, the parties hereto have caused this agreement to be signed, sealed and delivered as of the day and year first above written.

The Cold Metal Process Company, by A. P. Steckel,
President. (Seal.)

Attest: W. H. Kilcawley, Secretary.

United Engineering & Foundry Company, by F. C.
Biggert, Jr., President. (Seal.)

Attest: Chas. E. Satler, Secretary.

[fol. 25] IN UNITED STATES DISTRICT COURT

INTERLOCUTORY DECREE [IN EQUITY 2991]—Filed February
4, 1938

Now, to wit, February 4, 1938, this cause having come on to be heard on final hearing on the original bill and the supplemental bill, answers and proofs taken by both parties, and thereupon it is ordered, adjudged, and decreed:

1. That an injunction issue from this Court enjoining the defendant, its agents, employees, servants, attorneys and others acting by or under its authority from initiating or prosecuting any suits involving or affecting or intended to involve or affect the scope or validity of said Steckel Patent No. 1,779,195, unless and until the defendant shall have paid the plaintiff the amount provided for in paragraph No. 4 of this decree and the basis for the payment to be made on mills made and sold by defendant subsequent to the date hereof shall have been determined as provided in paragraph No. 5 of this decree, or from in any way attacking or conspiring with or engaging others to attack the validity of said Steckel Patent No. 1,779,195; and that the preliminary injunction heretofore issued in

this cause restraining the defendant, its agents, employees, servants, attorneys and others acting by or under its authority from the prosecution of the suits in the United States District Court for the Northern District of Ohio, Eastern Division, Nos. 4981 and 5059 in Equity, and in the United States District Court for the Northern District of Indiana, Equity No. 510, should be and the same is hereby made permanent.

2. That the supplemental bill of complaint be and the same is hereby dismissed as to all matters and prayers seeking the rescission of the June 20, 1927, contract, and such rescission is refused and denied.

[fol. 26] 3. That the supplemental bill of complaint be and the same is hereby dismissed as to all matters and prayers seeking a preliminary and perpetual injunction enjoining and restraining the defendant and all others acting by or under its authority from any further manufacture, sale or use in any manner of the patented improvements covered by said Patent No. 1,779,195 or any part thereof, and such prayer and injunction is denied and refused.

4. That defendant shall pay to the plaintiff such amount as may be due to the plaintiff from the defendant under the 1927 agreement on mills made and sold by the defendant prior to the date hereof.

5. That a determination be made of the basis and amount of payment to be made by the defendant to the plaintiff on mills made and sold by the defendant under and pursuant to the 1927 agreement subsequent to the date hereof.

6. That this cause be referred to — —, Esq., residing at —, Pennsylvania, who, by reason of his special qualifications, is hereby appointed a Master to ascertain, state and report to this Court the total amount of money due to the plaintiff from the defendant under the 1927 agreement up to the date hereof, and the basis of payment on mills coming under said contract which may hereafter be made and sold by the defendant.

7. That the supplemental bill of complaint and the original bill of complaint as to plaintiff's prayer for alternative relief (designated in the original bill of complaint) seeking to enjoin defendant from the payment of dividends and bonuses or otherwise making any distribution

of assets (beyond payments made in the ordinary course of business) until and unless a reserve has been set aside [fol. 27] to meet defendant's obligations to plaintiff under the 1927 agreement is dismissed and such prayer and injunction are refused and denied.

8. That the supplemental bill of complaint and the original bill of complaint as to plaintiff's prayer for alternative relief (designated k in the original bill of complaint) seeking to enjoin defendant from disposing of any assets, including patent rights under agreements with third parties acquired by reason of defendant's rights in said 1927 agreement until and unless the amount which may be determined to be due plaintiff under said 1927 agreement is paid, are dismissed and such prayer and injunction are refused and denied.

9. That defendant's motion to dismiss the supplemental bill be and the same hereby is refused.

10. That plaintiff's motion to strike out Section 45 of the defendant's answer to the bill of complaint be and is hereby refused.

That the plaintiff recover from defendant its costs to be taxed.

N. McVicar, United States District Judge.

Approved as to form.

Reed, Smith, Shaw & McClay, Counsel for Plaintiff.

Approved as to form except for the inclusion therein of the paragraphs 7 and 8.

Patterson, Crawford, Arensberg & Dunn, Counsel for Defendant.

[fol. 28] IN UNITED STATES DISTRICT COURT

MODIFIED INTERLOCUTORY DECREE—[IN EQUITY 2991]—

Filed September 29, 1943

And now, September 29, 1943, pursuant to the mandate of the Circuit Court of Appeals for the Third Circuit, dated June 15, 1939, it is hereby ordered, adjudged and decreed as follows:

1. That this decree be substituted for the decree entered herein on February 4, 1938.

[fol. 29] 2. That the injunctions ordered and made permanent by Paragraph 1 of said decree of February 4, 1938 are dissolved.

3. That the supplemental bill of complaint be and the same is hereby dismissed as to all matters and prayers seeking the rescission of the June 20, 1927, contract, and such rescission is refused and denied.

4. That the supplemental bill of complaint be and the same is hereby dismissed as to all matters and prayers seeking a preliminary and perpetual injunction enjoining and restraining the defendant and all others acting by or under its authority from any further manufacture, sale or use in any manner of the patented improvements covered by said Patent No. 1,779,195 or any part thereof, and such prayer and injunction is denied and refused.

5. That defendant shall pay to the plaintiff such amount as may be due to the plaintiff from the defendant under the 1927 agreement on mills made and sold by the defendant prior to the date hereof.

6. That a determination be made of the basis and amount of payment to be made by the defendant to the plaintiff on mills made and sold by the defendant under and pursuant to the 1927 agreement subsequent to the date hereof.

7. That this cause be referred to J. Garfield Houston, Esq., residing at Pittsburgh, Pennsylvania, who, by reason of his special qualifications, is hereby appointed a Master to ascertain, state and report to this Court the total amount of money due to the plaintiff from the defendant under the 1927 agreement up to the date hereof, and the basis of payment on mills coming under said contract which may hereafter be made and sold by the defendant.

[fol. 30] 8. That the supplemental bill of complaint and the original bill of complaint as to plaintiff's prayer for alternative relief (designated i in the original bill of complaint) seeking to enjoin defendant from the payment of dividends and bonuses or otherwise making any distribution of assets (beyond payments made in the ordinary course of business) until and unless a reserve has been set aside to meet defendant's obligations to plaintiff under the 1927 agreement is dismissed and such prayer and injunction are refused and denied.

9. That the supplemental bill of complaint and the original bill of complaint as to plaintiff's prayer for alternative relief (designated *k* in the original bill of complaint) seeking to enjoin defendant from disposing of any assets, including patent rights under agreements with third parties acquired by reason of defendant's rights in said 1927 agreement until and unless the amount which may be determined to be due plaintiff under said 1927 agreement is paid, are dismissed and such prayer and injunction are refused and denied.

10. That defendant's motion to dismiss the supplemental bill be and the same hereby is refused.

11. That plaintiff's motion to strike out Section 45 of the defendant's answer to the bill of complaint be and is hereby refused.

12. That the disposition of the costs be held in abeyance pending the conclusion of the accounting provided for herein.

Nelson McVicar, United States District Judge.

[fol. 31] Approved as to Form:

Reed, Smith, Shaw & McClay, Stebbins, Blenko & Webb, by John J. Heard, of Counsel for Plaintiff.

Patterson, Crawford, Arensberg & Dunn, Brown, Critchlow & Flick, by Jo. Baily Brown, of Counsel for Defendant.

IN UNITED STATES DISTRICT COURT

STATEMENT OF THE COLD METAL PROCESS COMPANY—Filed
May 8, 1944, before the Special Master

I. The contentions of The Cold Metal Process Company (herein referred to as "Cold Metal") as to the scope and present status of the rights of United Engineering & Foundry Company (hereinafter referred to as "United") under the agreement of June 20, 1927 are as follows:

a. United does not now have a license under the agreement of June 20, 1927. This has been fully recognized by the courts in this case and has also been recognized by United in its dealings with purchasers

of its mills. The agreement of June 20, 1927 merely constitutes an agreement under which United is entitled to obtain a license, and United will not obtain a license unless and until the amount to be paid by it has been determined in this proceeding and payment thereof has been made.

b. The license to which United is entitled by virtue of the agreement of June 20, 1927 is limited by the [fol. 32] express terms of said agreement to claims addressed to subject-matter common to the then pending Biggert and Johnson application Serial No. 103,264 and the then pending Steckel application Serial No. 648,761, and which later were obtained by Steckel. All such claims to common subject-matter were obtained and now appear in Steckel patent No. 1,779,195. As to the period which will be covered by such license, when and if obtained by United, it extends from June 20, 1927 until the expiration of patent No. 1,779,195.

[fol. 33] IN UNITED STATES DISTRICT COURT

UNITED'S PROPOSED, SECOND SUPPLEMENTAL ANSWER AND COUNTERCLAIM [IN EQUITY 2991]—Motion for Leave to File This Pleading. Was Filed June 20, 1941; Motion Denied, February 18, 1942

To The Honorable, The Judges of Said Court:

The defendant, United Engineering & Foundry Company, a corporation, makes this its second supplemental answer and counterclaim to the bill of complaint and the supplemental bill of complaint filed against it setting forth transactions, occurrences and events which have happened since the date of the first supplemental answer filed by the defendant:

1. On June 15, 1939, the Honorable the Judges of the Circuit Court of Appeals modified and affirmed the decree of this Honorable Court entered on February 4, 1938 in the above entitled proceeding, holding valid and subsisting the agreement of June 20, 1927 (printed at 107 F. (2d) 28, footnote) between the plaintiff and the defendant under

which the defendant has certain exclusive license rights in the manufacture, use and sale of four-high rolling mills described in United States Patent No. 1,779,195. In its opinion (107 F. (2d) 27) the Court of Appeals in effect held that the defendant (United) was justified in its position that it should not be required to make any payment to the plaintiff for said license rights until after the patent has been held valid by a court of competent jurisdiction.

2. On the same day, June 15, 1939, the Circuit Court of Appeals in cases between The Cold Metal Process Company and American Sheet & Tin Plate Co., and others, [fol. 34] handed down an opinion (108 F. (2d) 322) reversing a decree of the District Court of the United States for the District of New Jersey which had held (22 F. Supp. 75) patent No. 1,779,195 invalid, and holding, *inter alia*, the patent valid, so that at the time the decision in the instant case was handed down the condition precedent to an accounting by the defendant had already occurred.

3. Subsequently a rehearing was granted by the Circuit Court of Appeals in the cases between The Cold Metal Process Company and American Sheet & Tin Plate Co., *et al.*, but before the rehearing was had, the parties entered into an agreement dated August 30, 1940, a copy of which is attached. The plaintiff, in consideration of large payments made to it, purported to grant to the Carnegie-Illinois Steel Corporation and all the other subsidiaries of the United States Steel Corporation an unlimited, non-exclusive license and release under patent No. 1,779,195 (*inter alia*), and agreed to hold the United States Steel Corporation and its subsidiaries harmless against any right asserted by United under its agreement with the plaintiff dated June 20, 1927 arising out of any past, present or future acquisition or use of any of the inventions or mills covered by patent No. 1,779,195, and to defend any action brought thereunder by United without expense to the United States Steel Corporation or its subsidiaries.

4. Subsequently, on September 20, 1940, the Circuit Court of Appeals in the cases between The Cold Metal Process Company and the American Sheet & Tin Plate Co., *et al.*, withdrew its opinion entered on June 15, 1939, and vacated the orders of the Circuit Court of Appeals of

[fol. 35] June 15, 1939, reversed the decree of the District Court for the District of New Jersey entered on February 14, 1938, insofar as it related to patent No. 1,779,195, and remanded the cause to the District Court with directions to vacate its decree and to dismiss the bills upon the ground that the causes were moot (115 F. (2d) 33).

5. The defendant is advised by counsel, believes and therefore avers, that the law of this case as established by the Court of Appeals of this Circuit is that until Patent No. 1,779,195 is held valid by a court of competent jurisdiction, the defendant under its agreement with the plaintiff of June 20, 1927, is under no duty to account or make any payments to the plaintiff; and the defendant is further advised by counsel, believes and therefore avers, that there is at present no such adjudication of validity; and that any finding made by this court in the proceeding at No. 2506 between the parties is not an adjudication of validity, and reference is made to the decision of the Supreme Court of the United States in the case of *Electrical Fittings Corp. v. Thomas & Betts, et al.*, 307 U. S. 241 (1939).

6. The defendant is advised by counsel, believes and therefore avers, that the agreement entered into between the plaintiff and the Carnegie-Illinois Steel Corporation was not only in disregard and in violation of the rights of the defendant, but was destructive of the rights of the defendant; and that the conduct of the plaintiff in entering into the agreement was unconscionable in that it encouraged the Carnegie-Illinois Steel Corporation and the other subsidiaries of the United States Steel Corporation to disregard the defendant's exclusive rights in the manufacture, use and sale of four-high rolling mills described in patent [fol. 36] No. 1,779,195 and encouraged them to purchase machinery and equipment which only United could legally make, use and sell, from unlicensed manufacturers in infringement of the defendant's rights and in reliance upon the agreement of the plaintiff to hold the United States Steel Corporation and its subsidiaries harmless in any proceedings brought by the defendant based on the violation of the defendant's exclusive rights.

7. The defendant is advised, believes and therefore avers, that the United States Steel Corporation and its sub-

sidiaries constitute the largest producer of steel in the United States, and that the plaintiff, by agreeing to hold them harmless for past and future infringements of the defendant's exclusive rights, has encouraged and incited the United States Steel Corporation and its subsidiaries to violate the defendant's established rights under the June 20, 1927 contract with plaintiff, and this has further encouraged the steel trade generally likewise to ignore and violate the rights of the defendant. The result will be and is largely to destroy any advantage the defendant might otherwise have had over its competitors in the sale of the mills described in patent No. 7,779,195 and to force the defendant into expensive litigation if it is to get any benefit from its exclusive rights.

8. The defendant is advised, believes and therefore avers, that the plaintiff since August 30, 1940 has been and is now canvassing, soliciting and urging all of the metal manufacturers in the United States who use four-high rolling mills, such as those described in patent No. 1,779,195, to enter into like unlimited license and indemnity agreements with the plaintiff, thus further ignoring and attempt-[fol. 37] ing for its own profit to induce others to ignore and violate the defendant's exclusive rights.

9. The Circuit Court of Appeals in its opinion of June 15, 1939 (107 F. (2d) 27), in this case found as a fact that other companies which build four-high mills, referring by name to Mesta and Bliss, have entirely disregarded patent No. 1,779,195 and have contended that it is invalid; and the defendant avers that this condition of disrespect for and ignoring of patent No. 1,779,195 by competing mill builders and others has continued up to the present; that the competing mill builders and others have uniformly refused, and still refuse, to recognize patent No. 1,779,195 or the defendant's rights thereunder; that the plaintiff now has pending no suit brought by it under patent No. 1,779,195 against any infringing mill builder or user; that on the contrary, the plaintiff has caused to be dismissed two suits which it had brought thereunder in Delaware against Bliss, and against Continental Roll and Steel Foundry Company, two infringing mill builders competing with the defendant in the manufacture and sale of mills coming within the

defendant's exclusive rights under the agreement of June 20, 1927 and patent No. 1,779,195; and the defendant further avers that the contract of the plaintiff with the United States Steel Corporation and its subsidiaries has made comparatively safe the purchase and use of mills infringing the defendant's exclusive rights by the largest potential customer of such mills and so has added greatly to the disrespect for defendant's rights under the 1927 agreement by other steel manufacturers and by competing mill builders.

[fol. 38] 10. The conduct of the plaintiff as hereinbefore set forth has caused and is causing to the defendant irreparable injury, loss and damage.

11. The defendant is advised, believes and therefore avers that the conduct of the plaintiff in the premises has been such as to justify the relief herein prayed for by the defendant by way of counter claim.

Wherefore, the defendant prays that no further proceeding be taken with respect to any payments alleged to be due from the defendant to the plaintiff by reason of the plaintiff's unconscionable conduct and the damages caused the defendant by the plaintiff; or

In the alternative, that no further proceedings be taken until patent No. 1,779,195 has been held valid and has been enforced by a court of competent jurisdiction; and

Further, that the plaintiff by preliminary injunction to be made permanent hereafter be enjoined from offering to metal manufacturers or four-high rolling mill manufacturers in the United States any agreement purporting to grant unlimited non-exclusive licenses under United States Patent No. 1,779,195, or any agreement offering to hold any person or company harmless in the manufacture, sale or use of any four-high mill coming within the defendant's exclusive field as defined in the agreement of June 20, 1927 between the plaintiff and the defendant; and

For such other and further relief as may be appropriate.

United Engineering & Foundry Company, by Geo. T. Ladd.

[fol. 39] DISTRICT COURT OF THE UNITED STATES, WESTERN
DISTRICT OF PENNSYLVANIA

Civil Action No. 7744

Ancillary to Equity No. 2506 and Equity No. 2991, and
Counterclaim in Equity No. 2991

UNITED ENGINEERING AND FOUNDRY COMPANY, Plaintiff

v.

THE COLD METAL PROCESS COMPANY and THE UNION
NATIONAL BANK OF YOUNGSTOWN, OHIO, Defendants

AMENDED ANCILLARY COMPLAINT AND COUNTERCLAIM—Original filed March 28, 1949; amended October 29, 1951

For this, its complaint, supplemental and ancillary to Equity No. 2506 and Equity No. 2991, litigations in this Court between Cold Metal and United, and *pro tanto* by way of counterclaim in and supplemental to Equity No. 2991, plaintiff (United) States:

1. United Engineering and Foundry Company (hereinafter referred to as United), is a corporation of Pennsylvania, having its principal office and place of business at Pittsburgh, in this judicial district; and it is the defendant in said pending suit in Equity No. 2991, filed herein on or about November 17, 1934.

2. The Cold Metal Process Company (hereinafter referred to as Cold Metal), is a corporation of the state of [fol. 40] Ohio, having its principal office and place of business at Youngstown, Ohio; and it is the original plaintiff in said pending suit in Equity No. 2991.

3. The Union National Bank of Youngstown, Ohio, is a corporation of Ohio that has been added on April 5, 1949, by Cold Metal as a party plaintiff in Equity No. 2991 with a statement by Cold Metal to the effect that Cold Metal had (prior to filing of this action) assigned all of its assets, including all of its claims and liabilities involved in Equity No. 2991, to the said Bank as trustee for an alleged Leon A. Beeghly Charitable Trust. The said Bank is therefore added as a defendant herein. Throughout this amended

complaint the expression "Cold Metal" is used as including the said Bank, wherever the context permits and the said Bank is herein referred to as "the Bank."

4. This is an action between parties resident in different judicial districts and in different states; the subject matter involved exceeds \$3000 exclusive of costs and interest; it is ancillary and supplemental to Equity No. 2506 and to the said pending suit in Equity No. 2991, and *pro tanto* constitutes a counterclaim in Equity No. 2991, in that it seeks enforcement of, and protection and ancillary relief to United under, the prior decisions of this Court and of the Third Circuit Court of Appeals, in the said pending suit in Equity No. 2991 and in another suit brought by Cold Metal against United, in Equity 2506 in this Court; and it grows out of the same facts, circumstances, and transactions and involves the same contract and construction thereof, and the respective rights and obligations of the parties thereunder, that are the subject matter of said pending suit in Equity No. 2991, and that were in part in issue in Equity No. 2506. [fol. 41]

5. On or about June 20, 1927, the parties to this suit entered into a contract relating to their respective rights and obligations in, to, and under patents covering certain subject matter, *to wit*, mills for rolling flat metal having working rolls that are supported by backing rolls having anti-friction bearings, hereinafter designated collectively as four-high roller bearing mills, which were stated to the parties hereto by their then common attorney to be disclosed in two conflicting co-pending applications for patent respectively owned by Cold Metal and United, who were and are the parties to the said contract, which is hereinafter referred to as the 1927 contract, or the 1927 agreement, or the 1927 licence. That contract is exhibit 98 in the record of the prior suit in Equity No. 2506 between the parties hereto in this Court, and is exhibit B in the record in Equity No. 2991, above referred to. It is quoted in full as a footnote to one of the decisions in Equity No. 2991, at page 28 of 107 F. (2d), and it is by reference made a part hereof.

6. Said 1927 contract provided in paragraph 3 that when and if a patent issued on a certain application then owned by Cold Metal containing claims to a certain common subject matter (*viz.* the construction and method of use of four-

high roller-bearing mills), Cold Metal should grant a license to United, of the scope defined as follows:

"3. When, and if such claim or claims to common subject-matter are granted in any patent issued on Cold Metals' applications, Cold Metals shall grant to United a license to make, use and sell rolling mills under such claim or claims, which license shall be exclusive to United for 4-high hot mills and for 4-high cold mills, in which the major portion of the power [1042] required by a roll stand is supplied to the rolls directly and not through tension exerted on the material for pulling it through the rolls;" * * *

7. The patent referred to in the foregoing quotation from the 1927 contract issued to Cold Metal as assignee of the applicant, Abram P. Steckel, on October 21, 1930 as Patent 1,779,195.

8. The said Cold Metal patent application referred to in the 1927 contract was divided after the 1927 contract was entered into, and, in addition to Patent 1,779,195, which issued on the divisional application, Patent 1,744,016 issued to Cold Metal, on the original application, on January 14, 1930. Patents 1,744,016 and 1,779,195 have been continuously owned by Cold Metal and its privies since their issuance. Both patents have now expired.

9. Since October 21, 1930, Cold Metal has been obligated to grant and to respect the license provided for and determined as to scope by the said paragraph 3 of the 1927 contract. Within the field so defined the license bars the maintenance of any infringement suit brought by Cold Metal and/or its privies under any patents owned by Cold Metal and/or its privies against United and/or users of four-high roller-bearing mills manufactured and sold by United. On this basis and to the extent above stated United's license extends to and under patent 1,744,016, and to and under any other patent owned by Cold Metal and/or its privies.

10. On or about May 7, 1931, Cold Metal notwithstanding the prior execution of the said 1927 contract, brought suit in this Court, in Equity No. 2506, against United for alleged infringement of Patent 1,779,195, based on both hot and [fol. 43] cold mills, and on both single stand and tandem mills. This Court, in a decision reported at 3 F. Supp. 120

dismissed the complaint, holding, *inter alia*, that United could not be held liable as an infringer of Patent 1,779,195, because of its license under the 1927 contract.

11. Specifically in its decision the Trial Court in Equity No. 2506, in its eighty-eighth finding of fact, said—

“Defendant has not infringed the patent in suit. The acts aforesaid, which would have constituted infringement, are valid and proper under the license agreement of June 20, 1927.”

In its eleventh conclusion of law it said—

“The contract of June 20, 1927, between the plaintiff and defendant is a valid subsisting contract.”

At the end of its opinion, the Trial Court found that—

“The defense of license in the answer was pleaded in the alternative which the defendant, under Rule 30, had the right to do regardless of consistency. * * * The case went to trial on the defenses, *inter alia*, of non-validity and license.”

12. United took an appeal seeking to have the patent declared invalid. Cold Metal moved to dismiss the appeal on the ground, *inter alia*, that United, having been adjudged a licensee, could not attack validity of the patent in suit. The Third Circuit Court of Appeals sustained Cold Metal's motion and dismissed the appeal, saying at 68 Fed. (2d) 564:

“In view of the fact that the decree dismisses the plaintiff's bill and the further fact that such decree is in accord with the specific relief prayed for in the defendant's answer, namely, ‘Defendant therefore prays that this bill of complaint be dismissed with [fol. 44] costs to plaintiff,’ is the defendant, which has not surrendered or cancelled the license, and is now enjoying the monopoly of the patent, warranted in asking this court in this appeal to convict the court below of error in its decree and here contest the validity of the patent? In that connection we note that, assuming for present purposes the defendant could plead whatever defenses it chose, the situation of

standing on its unsurrendered license and insisting on a decree which does not invalidate, and therefore leaves it in possession of a licensee's rights, it follows that, enjoying and possessing such license, the defendant is not in a position to contest the validity of its licensor's patent, the monopoly and rights to which it retains."

13. On or about November 17, 1934, Cold Metal filed its complaint in Equity No. 2991, in this Court, against United, seeking specific performance of the 1927 contract. The complaint prayed, *inter alia*, that the Court finally settle and determine the scope of the 1927 license agreement, and the amount and basis of payment thereunder due from United to Cold Metal. The said bill of complaint in Equity No. 2991 is on file in the Clerk's office of this Court, and is by reference made a part hereof.

14. On or about May 11, 1936, Cold Metal filed a supplemental bill of complaint against United in the said suit in Equity No. 2991. That supplemental pleading sought, *inter alia*, a decree holding the 1927 contract cancelled, revoked and annulled, and United enjoined from any further manufacture, sale or use of four-high roller-bearing mills, as an infringer of Patent 1,779,195. That supplemental complaint is on file with the Clerk of this Court and is by reference made a part hereof.

[fol. 45] 15. Cold Metal asserted in Equity No. 2991 that said action was ancillary to the previous action in Equity No. 2506 between the parties hereto.

16. On or about January 12, 1935, United, pursuant to extensions granted by this Court, filed its answer to the original complaint in Equity No. 2991, and on or about November 21, 1936, filed its answer to the supplemental bill of complaint therein. Those answers are on file with the Clerk of this Court, and are by reference made a part hereof.

17. On or about November 19, 1934, Cold Metal in the said suit in Equity No. 2991, brought a motion for preliminary injunction to restrain United from suing infringers as exclusive licensee under Patent 1,779,195, alleging that United had no license. This Court, in an interlocutory decision on the motion, reported at 9 F. Supp. 994, refused the

injunction. An appeal was taken by Cold Metal. The decision of the Third Circuit of Appeals ordering a preliminary injunction is reported at 79 F (2d) 666. Thereafter a final hearing was had in this Court. Its decision is reported at 36 U.S.P.Q. 143. An interlocutory decree was entered by the trial court on February 4, 1938, a copy of which is on file with the Clerk of this Court, and is by reference made a part hereof. An appeal was taken by Cold Metal. The decision of the Third Circuit Court of Appeals after final hearing is reported at 107 F (2d) 27. It dissolved the injunction and held that United has an exclusive license under the 1927 contract.

18. Referring to its prior adjudication in Equity No. 2506 on the question of license between the parties to the present ancillary action, the Third Circuit Court of Appeals, [fol. 46] in its second decision in Equity 2991, at page 29 of 107 F (2d), cited its prior decision in Equity 2506 between these parties, saying:

"This litigation between the parties has been here twice before. The first suit was filed March 7, 1931, in the District Court for the Western District of Pennsylvania for the infringement of the patent issued to A. P. Steckel, October 21, 1930, for 'an improved rolling mill and method whereby superior results are obtained.' The Court held that United was not guilty of infringement of the patent because it had a valid license under the patent. An appeal from the decree was taken to this court which dismissed the bill of complaint on the ground that United was 'enjoying and possessing such license' under the patent and, therefore, it could not attack its validity."

19. On the question of license as raised in Equity No. 2506 and Equity No. 2991, between the same parties here involved, the Third Circuit Court of Appeals said, at page 32 of 107 F (2d):

"* * * The only benefit which United received for its forbearance to contest the interference proceeding was the exclusive license which it secured by the agreement of June 20, 1927. This United is seeking to retain and Cold Metal is seeking to take away. Each

party in signing the agreement doubtless thought it was getting something from, and was giving something to, the other. The one was getting a patent; the other an exclusive license under it. Cold Metal is unwilling to surrender the Steckel patent and United cannot be asked to give up its exclusive license." * * *

20. Cold Metal has heretofore, in litigation to which United was not a party, in a suit for infringement of Cold Metal patents 1,774,016 and 1,779,195, for the purpose of preventing a review by the United States Supreme Court [fol. 47] of a decision of the Third Circuit Court of Appeals, in a brief filed in the Supreme Court, admitted that under the prior adjudication of this Court four-high roller-bearing mills sold by United under the 1927 agreement are "foreclosed from infringement suits" and that as to such mills Cold Metal is "limited to a recovery under that agreement." The statement and admission referred to above was made in the cases of *Cold Metal v. Carnegie-Illinois Steel Corporation, et al.*, in Equity Nos. 4817 and 4906, filed in the United States District Court for the District of New Jersey, in the following words:

"3. Importance of the case * * * The invention is, of course, a valuable one, but the figures given in the Lorig affidavit filed with the petition are misleading. The affidavit does not reveal the fact that a very large percentage of the mills there referred to were built by United Engineering & Foundry Company, and since the Court below, contemporaneously with its decision herein, decided adversely to respondent in its suit for a rescission of the agreement between Cold Metal and United; 107 F. (2d) 27, Cold Metal is limited to a recovery under that agreement and foreclosed from infringement suits against petitioners or anyone else on mills built by United and coming within the scope of the United agreement."

21. To the same effect as the statement recited in paragraph 20 above, is the statement of Cold Metal in the *Carnegie* case, in a brief filed in opposition to a petition for rehearing, after denial of certiorari by the Supreme Court.

In its said brief to the Third Circuit Court of Appeals Cold Metal said:

"On June 15, 1939, the same day that the appeals in Nos. 6701 and 6702 were decided, this Court, per Judge Buffington, handed down its opinion in appeal [fol. 48] No. 6700 [*Cold Metal v. United*, in Equity 2991]. In that opinion Judge Buffington held that on the facts as presented at final hearing Cold Metal's charge that United had been guilty of fraudulent conduct was not made out. In view of this and 'on principle and comity' this Court therefore remanded the case to Judge McVicar with instructions to vacate the injunction previously issued against United, thus leaving United free to prosecute its suits in Ohio and Indiana on patent '195.

"On July 14, 1939, Cold Metal filed a petition for modification of opinion and a petition for rehearing in appeal No. 6700. These petitions were denied at the same time that defendant's petitions for rehearing were denied.

"The effect of the decisions in the United case is to free from infringement all of the mills—and there is a large number of them—purchased by defendants and other steel manufacturers from United and coming within the scope of the 1927 agreement."

22. [This paragraph of original complaint cancelled by amendment.]

23. More recently, Union National Bank of Youngstown, Trustee, etc., alleged as assignee of Cold Metal, sued Superior Steel Corporation in this Court, Civil Action 5812, for infringement of Cold Metal Patents 1,744,016 and 1,779, 195.

(a) Three of the seven accused mills of Superior were four-high roller-bearing mills that had been sold to Superior by United.

(b) As to the three mills sold Superior by United, United had agreed to hold Superior harmless against liability for patent infringement, and that fact was known to Cold [fol. 49] Metal and the Bank when and before said suit against Superior was filed.

(c) All of said seven accused mills were used by Superior within the scope of United's exclusive license from Cold Metal.

(d) In compliance with its contractual obligation to Superior, United has incurred substantial damage and expense incident to defending Superior from the charge of infringement of Cold Metal Patents 1,744,016 and 1,779,195 in said Civil Action 5812. Such damage and expense has resulted directly from the ignoring and defiance by Cold Metal, and/or its privies, of the adjudications of this Court in the litigations between the parties hereto, and repudiating its statements to the Court of Appeals of this Circuit, as set forth herein above.

(e) When the Superior case came before this Court for trial on January 3, 1949, and after United had been put to material expense for preparation of a defense to said suit, Union Bank (Cold Metal) moved to dismiss.

(f) Circuit Judge O'Connell, sitting specially in that case, as a trial court for this District, in his decisions following the motion to dismiss, permitted the dismissal on terms that appear in his opinion, 80 USPQ 455-64.

24. In Equity 2991, pursuant to mandate of the Court of Appeals and to decisions of this Court above cited, establishing the existence of United's license rights, this Court entered a modified interlocutory decree on or about September 29, 1943, referring the case to J. Garfield Houston, Esquire, as a Special Master of this Court; to determine [fol. 50] mine the payment and rate of payment due from United to Cold Metal under the license defined in the said 1927 agreement. That decree is on file with the Clerk of this Court and is by reference made a part hereof.

25. The accounting proceeding referred to in the preceding paragraph is now in progress and undetermined.

26. In the said accounting proceeding, pursuant to the Master's order, United has listed all of the four-high roller-bearing mills which it had made and sold up to the date of expiration of the Patent 1,779,195. The payment required to be made by United to Cold Metal because of the making, selling, and use of mills licensed under the terms of the 1927 contract, is a direct issue referred to the master for determination; and is now under consideration by him.

27. [This paragraph of original complaint cancelled by amendment.]

28. Notwithstanding that Cold Metal is currently prosecuting its suit in Equity No. 2991 in this Court for the avowed purpose *inter alia*, of requiring United to pay Cold Metal for the use by United's customers of four-high roller-bearing mills sold by United under and used within the scope of its adjudicated license to make, use, and sell such mills, Cold Metal is concurrently conducting and threatening to bring suits for infringement of patents 1,779,195 and 1,744,016 against, and demanding large settlements and payments from the purchasers from United and users within the scope of said license of the very mills that [fol. 51] have been listed as licensed mills in the pending accounting in Equity No. 2991, and on which Cold Metal is concurrently demanding payment from United under the 1927 license contract.

29. Notwithstanding that it has been adjudicated in this Court in the said suits in Equity No. 2506 and in Equity No. 2991, between the parties hereto, that United has a license from Cold Metal to make, use, and sell four-high roller-bearing mills as set forth in the said agreement, Cold Metal, has ignored, defied, misconstrued, misrepresented, and treated with utter contempt the said adjudications of this Court, and its obligations under the 1927 contract, in that it has openly stated to both licensed and unlicensed users and to unlicensed makers, of four-high roller-bearing mills that United has no license, and has never had any license, and can never have a license, under the said Patents 1,779,195, and/or 1,744,016; and Cold Metal has indemnified, and has offered to indemnify, purchasers of such mills from unlicensed third parties against any claim that may be made against them by United within United's exclusive license field, provided those purchasers make payments to Cold Metal for their use of said mills.

30. Specifically, Cold Metal has brought currently pending infringement suits under said patents 1,779,195 and 1,744,016 against mill owners who have purchased four-high roller-bearing mills from United and used them within the scope of United's exclusive license as defined in the said 1927 contract. In its pleadings and arguments to the Courts in those suits, Cold Metal has denied that United

and/or any purchasers of four-high roller-bearing mills from United now have any license or right of any kind [fol. 52] arising under the said 1927 contract, or under Patents 1,779,195 and/or 1,744,016, or any right or immunity from suit for infringement of either of these patents based on that contract and the purchase of said mills from United.

31. The following are specific instances of statements by Cold Metal referred to in preceding paragraphs 29 and 30.

(a) In its trial brief for this Court in the case of *Union National Bank of Youngstown, Ohio, Trustee v. Superior Steel Corporation*, Civil Action 5812, the Union Bank made the following statements:

"United has no license and never has had any license under either of the patents in suit. [The patents here referred to are 1,779,195 and 1,744,016.] It had merely an executory contract under which it was entitled to get a limited license under Patent No. '195 but it never perfected that right." (pp. 53-4)

And on page 55 of the same trial brief, the Bank said:

"While United, during the life of Patent No. '195 was entitled to get a license under Patent No. '195, it never perfected that right. In view of the expiration of Patent '195, it is questionable whether United will or can at any time acquire the license to which it was entitled under Patent '195."

.

"United never has had even a right to get a license under Patent '016, which is infringed by each of the mills in issue."

(b) In one of the suits which Cold Metal has brought against a purchaser and user of United's four-high mills, viz: Republic Steel Corporation, Civil Action No. 21390, in the Northern District of Ohio, at an argument before Judge [fol. 53], Levin on December 16, 1948, counsel for Cold Metal made the following statement in open court with

reference to licensed four-high roller-bearing mills that had been sold to Republic by United and are currently being used by Republic (p. 46):

"Mr. Webb: I will treat with those points in just a moment, when I come to that, because your Honor, I believe, knows our position, first, that the United does not have any presently existing license; that it never has had any license under either of the patents in suit, but merely has an executory contract under which United was entitled to get a limited license, and a very limited license, under only one of the patents, namely, Patent 195; but United, our position is, has never to this day perfected that right, and I think it is quite questionable as to whether United can at any time perfect that right which it had to obtain a limited license under Patent 195, because the patents have now expired, and that is an issue which will be raised at the appropriate time in the accounting proceeding which is pending down in Pittsburgh.

Now, our second proposition is that United never has had a right to get a license from the Patent 016, which is infringed by substantially all of the defendant's cold mills, and United never having had even a right to get a license under Patent 016, by the sale of the mills it could not pass anything on to this defendant.

The Court: Well, the mills were covered by 195; is that correct?

Mr. Webb: The mills are covered by both patents; I do say this; that some mills are covered by only one patent; there are several continuous hot mills involved; those are covered by Patent 195 only. There are a few cold mills involved, which are covered by 195 only. All the rest of the mills, which comprise the bulk of these cold rolling mills, probably ninety-five percent of [fol. 54] all of the cold mills listed in Exhibit 1, infringe both Patent 195 and Patent 016."

(c) In the case of *United States v. Thomas Steel Corporation*. * * * *United Engineering & Foundry Company*,
* * * *The Cold Metal Process Company, et al.*; Civil Ac-

tion 24760, now pending in the United States District Court for the Northern District of Ohio, Cold Metal in its answer has stated (paragraph 14):

"United Engineering & Foundry Company has never perfected its right under said [1927] agreement to obtain a license and, hence, is not a licensee of Cold Metal or the Trustee under said patent [1,779,195] or any other United States Letters Patent owned by Cold Metal or the Trustee."

32. Cold Metal (or its alleged successors and privies) has brought and now has pending in other judicial circuits suits for infringement of its Patents 1,779,195 and 1,744,016 based on the use within the scope of United's license of four-high roller bearing mills purchased from United, alleged by Cold Metal to come within the scope of the said Patent No. 1,779,195, and admitted by United in the pending accounting proceeding in Equity No. 2991 to be licensed mills. Some of the defendants in such suits are Thompson Wire Company in the First Circuit; Revere Copper and Brass Company in the Second Circuit; Ford Motor Company, Detroit Steel Company, and Republic Steel Corporation in the Sixth Circuit; and Granite City Steel Company and Acme Steel Company in the Seventh Circuit; and the United States in the Court of Claims.

33. Because of such infringement actions under Patents 1,779,195 and 1,744,016 above referred to, and other like pending actions against United's licensed customers, and [fol. 55] because of Cold Metal's repeated denials to mill users and others that United has any license whatever under said Cold Metal patents, United has been harassed, its good will impaired, put to substantial, unjust, and presently indeterminate and continuing expense, and it will continue to be irreparably damaged and put to continuing expense unless Cold Metal is restrained from denying United's license rights and from bringing and prosecuting infringement suits against customers of United whose four-high roller-bearing mills and the use of them fall within United's license held as defined by said 1927 contract and as heretofore adjudicated in the prior suits in Equity No. 2506 and No. 2991.

34. (a) To the extent that any payment may be found due from United to Cold Metal as a result of the pending suit in Equity No. 2991 for its license under the 1927 contract, United will, by way of counterclaim, recoupment, set-off, or otherwise, be entitled to, and hereby claims as a set-off, and by way of recoupment, that portion of payments which have been made to Cold Metal, or may hereafter be made to Cold Metal, or its privies or assigns, for the use or sale of mills falling within the scope of United's exclusive license, and not sold by United, which is over and above the payment and/or rate of payment as applied to those mills that may be adjudged in Equity No. 2991 due from United to Cold Metal upon similar licensed mills.

(b) United is informed and believes that Cold Metal has collected large sums of money from the users of licensed mills sold by United, and used within the scope of United's exclusive license; and United avers that such sums have been collected without right of any kind by Cold Metal and [fol. 56] should be accounted for and considered by the Court in the final settlement of the rights and obligations of the parties hereto.

35. A statement has been made to this Court by the Bank in the said case of *Union Bank v. Superior Steel Corporation* identified above, to the effect that Cold Metal has collected twenty-eight million dollars from users of four-high roller-bearing mills. United is informed and avers that a substantial portion of the said amount has been collected by suits and threats of suit for infringement of Patents 1,779,195 and 1,744,016 by Cold Metal from users of four-high roller-bearing mills sold to them by United under its license, and used within the scope of the said license. Such extortion by Cold Metal from United's customers has injured United's good will. United is further informed and avers that a substantial portion of the said amount has been collected by Cold Metal from users of four-high roller-bearing mills purchased from unlicensed mill builders, and used within the exclusive field of the license to United as defined in said 1927 contract.

36. United claims, by way of set-off or recoupment against any payment that may be found due in Equity 2991 from

United to Cold Metal, a *pro tanto* portion of the amounts collected by Cold Metal from unlicensed mill builders and unlicensed users for operations within the scope of United's exclusive license. United has no present means except by an accounting herein of ascertaining the amounts that have been collected by Cold Metal for use in United's exclusive field as herein set forth, and no means for segregating said amounts from portions as to which United may have no interest or right, or may make no claim, and no means of deter-[fol. 57] mining that portion of such amounts collected by Cold Metal that should properly be treated as a set-off against or recoupment of any judgment that may be rendered against United in Equity No. 2991 except by the accounting proceeding here sought.

Wherefore, United, prays:

I. That a permanent injunction issue from this Court restraining Cold Metal, its successors, assigns, and all those representing or in privity with it;

(a) from bringing or threatening to bring any further suit for infringement of Patents 1,779,195 and 1,744,016, or either of them, against any user of four-high roller-bearing mills purchased from United, the use of which falls within the scope of the license which United holds from Cold Metal under said patents by virtue of the 1927 contract; and

(b) from further prosecuting any infringement suits that have been filed heretofore by Cold Metal, its successors and assigns, or any others representing or in privity with it, based upon the use of four-high roller-bearing mills that have been furnished to said defendants by United and used within the scope of the license held by United under the said 1927 contract; and

(c) specifically from bringing, threatening to bring, or prosecuting any pending suit against any user of four-high roller-bearing mills purchased from United and used within the scope of United's license, alleging infringement of Patent 1,779,195 by said user; and

(d) specifically from bringing, threatening to bring, or prosecuting any suit against any user of four-high roller-bearing mills purchased from United alleging infringement

[fol. 58] by said user of Patent 1,744,016 where the major portion of the power required by a roll stand is supplied to the rolls directly and not through tension exerted on the material for pulling it through the rolls; and

(e) from asserting to mill users, competitors of United, and all like persons, that United does not have or has never had any license relating to four-high roller-bearing mills under Cold Metal Patents 1,779,195 and/or 1,744,016; and

II. United further prays that a preliminary injunction issue forthwith, restraining Cold Metal and its successors, assigns, and all those representing or in privity with it, as set forth in the preceding sub-paragraphs *a, b, c, d, and e* of Prayer I, pending final hearing and decisions of the issues raised herein.

III. That Cold Metal be ordered to account for:

(f) All monies it has collected from users of four-high roller-bearing mills purchased from United that fall within the scope of United's license as defined in the 1927 contract between the parties hereto;

(g) All monies it has collected from unlicensed makers of four-high roller-bearing mills, and from users of four-high roller-bearing mills not purchased from United, falling as to structure and/or use within the exclusive license defined in the said 1927 contract between the parties hereto; and

IV. That a Master be appointed to take an account of all monies that have been so collected by Cold Metal, its successors, and privies, and to determine the amount of such collections within the field of United's license that [fol. 59] are properly an offset to or recoupment of any payment that may be found due from United to Cold Metal in Equity No. 2991; and

V. That Cold Metal be ordered to repay to United, the expenses United has incurred in connection with the defense of suits which Cold Metal has heretofore brought against United's customers based on alleged infringement by use of four-high roller-bearing mills purchased from United and made, sold, and used within the scope of the said license; and

VI. That United recover from Cold Metal its costs in this action, including reasonable attorney's fees, in view of Cold Metal's wilful defiance and disregard of this Court's decisions as hereinabove set forth; and

VII. That the Court grant such other and further relief as the circumstances and evidence may justify.

United Engineering and Foundry Company, Plaintiff, by Patterson, Crawford, Arensberg & Dunn, Brown, Critchlow, Flick & Peckham, Its Attorneys.

James S. Crawford, Jo. Baily Brown, Julian Miller, Paul N. Critchlow, Of Counsel. Address of all attorneys: First National Bank Building, Pittsburgh, Pennsylvania.

October 29, 1951.

[fol. 60]. IN UNITED STATES DISTRICT COURT

MOTION FOR PERMISSION NUNC PRO TUNC TO FILE COUNTER-CLAIM STATED IN PLAINTIFF'S PLEADINGS FILED HEREIN ON MARCH 28, 1949, AND ON OCTOBER 29, 1951

Plaintiff, United, has in its brief filed with the Court this day, demonstrated, we believe, that no permission of the trial court to file its ancillary cross complaint on March 28, 1949, and/or its amended pleading on October 29, 1951, was or is necessary, in view of the prior proceedings herein, and in view of the decision of the Court of Appeals reversing this Court's prior decision in the present case, with which it dismissed the ancillary cross complaint;

However, if the Court should indicate, in view of the argument and briefs on the pending motion to dismiss, that permission to file the original "Ancillary Cross Complaint" and/or the "Amended Ancillary Complaint and Counter-claim", (filed October 29, 1951), was or is necessary, or technically desirable, then plaintiff, United, moves the Court to grant that permission *nunc pro tunc*, and to order defendant to answer.

Patterson, Crawford, Arensberg & Dunn, Brown, Critchlow, Flick & Peckham, Attorneys for Plaintiff (United).

[fol. 61] IN UNITED STATES DISTRICT COURT

ORDER GRANTING LEAVE TO FILE COUNTER-CLAIM, ETC.—
August 5, 1952

And now, August 5, 1952, the motion of United Engineering and Foundry Company for permission nunc pro tunc to file its counter-claim will be, and it hereby is, granted; without prejudice to the right of defendants to plead, assert and prove any defenses, legal or equitable, which it may have to the counterclaim.

(S.) Owen M. Burns, D.J.

IN UNITED STATES DISTRICT COURT

ORDER REMOVING CASE FROM TRIAL CALENDAR.—July 6, 1954

Counsel for the respective parties in this Action have appeared before me this day and have stated that they believe a pretrial would be premature at this time, because the issues of this Civil Action are in a major respect dependent upon disposition by the Court of the Report of a Special Master in Equity 2991, to which this case is ancillary, or in partial effect a counter-claim for recoupment or set off. That report of the Special Master was filed May 28, 1954. Objections are to be filed by July 15, 1954.

Counsel stated to the Court, that as presently advised, they prefer that the Master's report be disposed of by the Court before the present ancillary action is tried, because that disposition may make it undesirable to try the present Civil Action. Counsel therefore joined in a request that no pretrial be conducted at this time, and a request that this [fol. 62] Civil Action be not set for trial pending disposition of the Master's report.

Now, therefore, the Court makes the following

Order

For good and sufficient reasons stated to the Court by Counsel for both parties, the pretrial conference heretofore fixed for July 8 is continued sine die, and this action is removed from the trial calendar of September 13, 1954, with-

out prejudice to either party, subject to reinstatement for trial at any time by order of the Court upon its own initiative, or upon request by either party after reasonable notice.

Miller, United States District Judge.

July 6, 1954.

Approved: Jo Bailey Brown, Of Counsel for Plaintiff;
William H. Webb, Of Counsel for Defendants.

[fol. 63] IN UNITED STATES DISTRICT COURT

OPINION.—January 19, 1955

WILLSON, D. J.:

Both parties have filed objections to the report of a Special Master appointed by the court to ascertain what payment is due from defendant to plaintiffs. Plaintiffs are Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, herein to be called "Cold Metal." Defendant is the United Engineering and Foundry Company, herein to be called "United." A written contract executed between these parties, dated June 30, 1927, is the basis for this twenty year legal battle. The decision of the Court of Appeals of this Circuit, 107 F. 2d 27, held that the contract of June 30, 1927 is a valid and subsisting agreement between the parties and pursuant to the mandate of the Court, dated June 15, 1939, Judge McVicar appointed J. Garfield Houston,

"... a Master to ascertain, state and report to this Court the total amount of money due to the plaintiff from the defendant under the 1927 agreement up to the date hereof, and the basis of payment on mills coming under said contract which may hereafter be made and sold by the defendant."

The decree also required:

"5. That defendant shall pay to the plaintiff such amount as may be due to the plaintiff from the defendant under the 1927 agreement on mills made and sold by the defendant prior to the date hereof.

"6. That a determination be made of the basis and amount of payment to be made by the defendant to the plaintiff on mills made and sold by the defendant under and pursuant to the 1927 agreement subsequent to the date hereof."

[fol. 64] The Special Master was appointed in July of 1943. He held extensive hearings. His printed report was filed May 28, 1954. He held United indebted to Cold Metal for royalties on 91 mills listed in Appendix "B" to his report in the total amount of \$387,650.00. He further held that Cold Metal is not entitled to an allowance of interest on the aforesaid indebtedness prior to the filing of the Master's report. Cold Metal lists forty-five objections to the report of the Special Master and United lists some twenty-three objections to the report.

The history of the present case is found in the Opinion of Judge Buffington, reported 107 F. 2d 27. The Master's printed report contains some one hundred sixty-eight pages, comprising one hundred and one Findings of Fact and twenty-four Conclusions of Law. The report is comprehensive in all respects. The various issues raised by the parties are fully explored and discussed in detail. Each of the parties has filed briefs in support of their objections to the report of the Special Master, and each of the parties has filed a reply brief in answer to the main brief of the opposing party. Oral argument has been held on the objections so that, under Rule 53, Rules of Civil Procedure, it is the duty of this Court to adopt the report of the Special Master, or it may be modified, or it may be rejected in whole or in part, or further evidence may be received, or it may be re-committed to the Special Master with instructions. As this is an action tried without a jury, I am required to accept the Special Master's findings of fact unless clearly erroneous.

The agreement of June 20, 1927 was held by this Court, the case being then before Judge McVicar, and by the Court [fol. 65] of Appeals, to be a "valid and subsisting contract" for an exclusive license to United from Cold Metal under Patent 1,779,195. Judge McVicar's decision was filed January 4, 1938, but was apparently not sent to the publisher until nearly ten years later, and is found in 83 F. Supp. 914.

In the opinion of the Court of Appeals, 107 F. 2d 27, Judge Buffington says, on page 32:

"The agreement of 1927 is, as Judge McVicar found, 'a valid and subsisting contract' for a license. This 'contract' has been partly performed and equity requires that it be completed by supplying the amount which United must pay for the license in accordance with the intention of the parties. [Citing cases] The evidence shows what that intention was, for the parties had an 'understanding' as to what the royalties would be and what that understanding was can readily be ascertained from the evidence by the master appointed or to be appointed by the District Court."

This case was first heard by this present Court at argument on the objections to the report of the Special Master. It seems that the decision, 107 F. 2d 27, was intended by the Court of Appeals as a final one which defined the rights of the parties, leaving merely the computation of the amount due to be determined by the Special Master. However, the decision has not been accepted by the litigants as final or as a decision determining the issues between them.

The present issue is, first, the rate of the royalty required to be paid by United to Cold Metal under the 1927 agreement. Judge McVicar held in this case, 83 F. Supp. 914, that plaintiff is entitled to a decree providing for a determination of the amount due from defendant under the contract to the date of his decision, January 4, 1938, and [fol. 66] the basis of payment to be made thereafter. However, he said on a vital point that the exchange of letters in January, 1928, between the parties did not constitute a contract agreement as to the royalty rate. Without limiting the findings to the January, 1928 exchange of letters, the Court of Appeals said that "the evidence shows what that intention was, for the parties had an 'understanding' as to what the royalties would be and what that understanding was can readily be ascertained from the evidence. * * *

As the parties did not agree on an interpretation of the decision of the Court of Appeals, 107 F. 2d 27, the proceedings before the Special Master were bitterly fought from beginning to end. The Special Master held that the royalty

rate to be paid by United was based on the January 1928 letters. Cold Metal says that this ruling is error and contrary to this Court's rulings and to the decree on mandate and should be reversed and the case sent back to the Master to receive evidence in regard to the value of the rights obtained by United under the 1927 agreement. On the facts found by him, the Master's first nine Conclusions of Law relate to the royalty to be paid by United to Cold Metal under the 1927 contract. The case was before the Special Master for more than ten years. This particular case has been before the Court of Appeals on three occasions. It has been referred to in many other decisions of the various courts. What Judge McVicar held and what the Court of Appeals held in this case has been referred to by Chief Judge Biggs in litigation between the parties, 190 F. 2d 217. On what appears to this Court as being ample evidence, and upon careful consideration of the various issues, the [fol. 67] Special Master found that the exchange of letters of January, 1928, fixed the royalty rate. Under the decisions of this Court, as written by Judge McVicar, and under the decision of the Court of Appeals, 107 F. 2d 27, I am in full agreement with the Special Master on this phase of the case.

United has heretofore contended that the royalty rate is shown in the January, 1928 letters, but before the Master took the position that by reason of failure of consideration or by reason of failure of performance on the part of Cold Metal it has no obligation to pay royalties in any amount. Much of the proceedings before the Master are concerned with this defense asserted by United. This defense is strongly urged upon the Court by United as it was rejected by the Special Master. When United's defense of failure of consideration was first raised before the Master, he first held that this defense was not available to United because such a defense appeared to be inconsistent with a decree for specific performance of the 1927 contract. Cold Metal contended before the Special Master that if this defense was raised in Equity 1991 it was not sustained, and therefore the matter is res adjudicata. The Master says that the defense of failure of performance was not pressed either in the District Court or the Court of Appeals. In his discus-

sion he says the two main issues which were argued were whether the 1927 contract should be rescinded and whether the parties had reached an understanding as to the royalty rate. The Special Master sets forth the facts on which United relies to constitute failure of consideration under the following captions:

(a) The failure of Cold Metal to grant a license when it obtained patent 195.

[fol. 68] (b) Cold Metal's filing of Equity 2506 charging United as an infringer under patent 195.

(c) Cold Metal's enjoining of United from bringing suits against infringers of patent 195.

(d) Cold Metal's supplemental bill in Equity 2991 praying for the rescission of the 1927 contract.

(e) Statements of counsel for Cold Metal and its officers that United did not have a license under the 1927 contract.

(f) Filing of suits for infringement against purchasers of mills from United.

(g) Cold Metal's licensing of users of mills under patent 195.

The Special Master carefully reviewed the evidence to ascertain whether Cold Metal failed to perform its obligations under the 1927 contract, and whether any failure, if there was a failure, was justified by the conduct of United; and also if there was a failure to perform on the part of Cold Metal, whether it was of so material a nature as to wholly defeat Cold Metal's claim for royalties. Again, it is the opinion of this Court that the Special Master carefully and minutely dealt with this subject. He gave this defense his full consideration. His Findings of Fact on this phase of the case cannot be said to be clearly erroneous. This Court has serious doubt that the defense of failure of consideration was available to United under the decisions of this Court and of the Court of Appeals. In this case, Judge McVicar has referred to the original pleadings. It appears that one of the issues in this case, No. 2991, has always been a determination of the amount due plaintiff under the 1927 agreement. The failure to perform on the [fol. 69] part of United or failure of consideration under

the contract are defenses against a claim for royalties asserted by Cold Metal in this case. It seems to this Court, as Cold Metal contends, that the judgment of specific performance in this case stands as a bar, not only as to every matter which was offered and received to defeat Cold Metal's claim for specific performance, but as to any other admissible matter which might have been offered for that purpose. See *Cromwell v. County of Sac.*, 94 U. S. 351. However, the Special Master has made Findings of Fact and Conclusions of Law with respect to the defense now under consideration and has concluded that this defense is not to defeat the royalty payments. Therefore, as this defense of United on its merits has been rejected by the Special Master, this Court is not now required to rule as to whether the defense was available to United in the first instance.

United contends, and Cold Metal denies, that payment of royalties was to be postponed until Patent 195 had been held valid. The Master found (Findings 96 and 97) that subsequent to the execution of the contract of 1927, the parties agreed that the royalty payments were to be postponed until Patent 195 had been litigated and held valid and further, the Master found that Patent 195 was litigated and held valid in Equity 2506 in this Court, 3 F. Supp. 120, decided January 9, 1933. Again, the Master's findings with respect to this issue do not appear to be clearly erroneous and must therefore be accepted.

One of the issues before the Special Master was whether United was liable for royalties on mills sold by it to purchasers outside the United States. On this subject the Master's Findings are Nos. 98 and 99 and the Conclusion is No. 16, in which he held United not liable for royalties on [fol. 70] thirty-two mills which were sold and delivered to customers beyond the territorial limits of the United States. This issue involves the construction of the 1927 contract. The Special Master refers to the scope of the license to be granted under the agreement and to the extent of the rights granted by a patent as provided in revised Statute Section 4884, formerly 35 U. S. C. A. 40, which was then in effect. The special Master reviews the contract and the literal wording thereof, but concludes, however, that having regard

to the rules of Patent Law the express language cannot be taken literally. The Patent statute gives no protection to a patentee outside of the United States and its territories. It is obvious that anyone could with impunity make, use and sell the invention covered by Patent 195 outside the United States. In this connection, the Master refers to *Hewitt v. American Telephone and Telegraph Company*, 272 Fed. 194, which holds that when a licensee is sued for royalties and the question is whether the product of the licensee comes under the claims of the patent involved, the test of liability is whether the licensee would be an infringer under the rules of patent law if he held no license. The Master holds that the liability of United with respect to the mills sold to foreign purchasers should be determined in accordance with the rules of Patent Law, which would be applied in determining whether a non-licensee was an infringer if he acted in all respects as United did. The Special Master classifies the foreign mills into two groups. The one group comprising seventeen mills for which the bearings for the backing rolls were made for United in Sweden and shipped direct from Sweden to the foreign purchasers with all other parts of the mills having been made by or for United in the United [fol. 71] States, except as to mills numbers 104 and 123, in which the bearings for the work rolls were made in Sweden, and were shipped direct to Japan. One mill, number 116, sold to a British purchaser, Cold Metal concedes that United is not liable for, as all the bearings were supplied by the purchaser.

An examination of the record, Report of the Master and of the briefs of counsel indicate that the Master has given careful consideration to the issues raised with respect to the foreign mills. His findings of fact do not appear to be clearly erroneous and therefore must be accepted. His Conclusion of Law No. 16 is correct.

To briefly summarize what has been discussed, a reference to the Opinion in 107 F. 2d 27 is again helpful, where it is said:

"This 'contract' has been partly performed and equity requires that it be completed by supplying the amount which United must pay for the license in accordance with the intention of the parties."

Also, the Court of Appeals, in its decision of June 8, 1951, 190 F. 2d 217, said, with reference to the royalty here discussed, page 219:

"In substance it had been determined that United had an exclusive license from Cold Metal to make, use and sell the four-high mills covered by the 1927 agreement and that United should pay royalties to Cold Metal in an amount to be determined by the Court below."

The parties to this litigation do not reach the same result in an interpretation of the decisions of Judge McVicar and of the Court of Appeals. For instance, Cold Metal repeatedly refers to the phrase "value of the [fol. 72] license" used by Judge McVicar in contending that the Special Master was required to receive evidence to determine the basis upon which payments should be made by United. Cold Metal asserts that the Special Master completely misconceived the source of his authority and failed to follow this Court's decree from which his authority emanated. Cold Metal says that the Court of Appeals clearly did not reverse this Court's findings that the parties did not consider that the letters relied upon by defendant constituted an agreement as to the royalty rate, and therefore it was improper for the Special Master to adopt a construction of the Court of Appeals' Opinion directly in conflict with this Court's holding. Cold Metal still contends that United was to pay it the true value of the rights granted under the 1927 agreement. It says that Judge McVicar, in his decision of February 18, 1942, 43 F. Supp. 375, held that the plaintiff was entitled to an accounting for the "value of the license," and that therefore the Special Master was in error in adopting the January, 1928 letters as the basis for the amount to be paid under the agreement. In that Opinion, which is part of the law of this case, Judge McVicar also said, page 376:

"The decree of this Court in this case, as affirmed by the Circuit Court of Appeals, is final and cannot now be modified or changed."

Certainly, to the extent that Judge McVicar held that evidence must be received to fix the "value of the license,"

he was overruled by the Court of Appeals in 107 F. 2d 27, which, as I read the decision, holds that the parties had reached an agreement as to the rate of royalty to be paid, and that what the understanding was that the parties had [fol. 73] reached, was to be ascertained from the evidence already in the case. Under the decisions in this case of this Court and of the Court of Appeals, the Special Master then clearly interpreted the decisions and correctly applied the law to the facts. In writing this decision there has been no attempt to discuss in detail each and every contention of the parties. The Findings and Conclusions of the Special Master on the main issues, that is the rate of royalty and defense of failure of consideration, are in accord with the views of this Court.

United also contends that receipt of payments by Cold Metal from purchasers of United mills discharged United of liability for royalty on such mills. On this issue the Findings of Fact are Nos. 83 to 94, inclusive, and the Conclusion is No. 17. In this connection it is to be recalled that the 1927 agreement did not give United rights co-extensive with the scope of Patent 1,779,195. Patent 1,744,016 has not been involved in this litigation and is not a subject of the 1927 agreement. The Special Master found that Cold Metal, by various license agreements, granted rights under various patents owned by Cold Metal, including Patents 195 and 016. Furthermore, under the Cold Metal license agreements, royalties were collected for the use of mills purchased from mill builders other than United. The findings of the Special Master are not clearly erroneous and are, therefore, adopted, and it is believed that his Conclusion of Law No. 17 is correct.

Cold Metal claims royalties on mills sold prior to October 21, 1930. The Special Master concluded that United's [fol. 74] license rights under the 1927 agreement commenced October 21, 1930, the date when Patent 195 was issued, and ended seventeen years thereafter on October 21, 1947, when the patent expired—Conclusion No. 19. The Special Master was of the opinion that neither the 1927 contract, nor the exchange of letters in January, 1928, gave any indication that royalties were to be paid on mills sold prior to the issuance of Patent 195. The Court is in agreement with the Special Master on this issue.

Cold Metal contends, however, that United, under the theory of "licensed use," has admitted liability in the course of litigation between the parties. In this Court's view, the issues here relate to the terms of a contract between the parties to the litigation. Various assertions have been made by each of the parties that the other made admissions on many phases of the litigation. An examination of the various references to purported admissions indicates that many of them were made during the course of argument or in writing briefs in an attempt to clarify a factual situation or interpret the law as counsel then understood it. It is not the view of this Court that the rulings of the Special Master have been based on admissions of fact or of liability by either party. Therefore, this Court finds that United has made no legal admission of liability to pay royalties on mills sold prior to the issuance of Patent 195.

One troublesome issue remains. As on all of the issues, the parties have divergent views on whether United is to be charged interest, and if so, when it should commence. The Special Master, upon a full discussion of the question, directs that interest be computed as of the date of filing his report. This date is May 28, 1954. The Special [fol. 75] Master held that United's claim is for an unliquidated indebtedness, which requires the exercise of judicial function to determine the amount. Hence the allowance of interest is discretionary. *United States v. Bethlehem*, 113 F. 2d 301, citing Pennsylvania cases.

In Cold Metal's original bill of complaint, filed more than twenty years ago, the basis on which it brought this suit is plainly set forth in paragraph (g), as follows:

"(g) That this Court finally settle and determine the scope of the said 1927 agreement, and determine or have determined by reference to arbitrators or a master or otherwise the amount due plaintiff to date thereunder, and determine the basis for payments to be made by defendant to plaintiff in the future under said 1927 agreement."

In the light of the foregoing, it therefore seems that Cold Metal's action is clearly one for unliquidated damages.

for a breach of contract and not a suit on a contract for a sum certain due thereunder. Section 337(b) of the Restatement of Contracts. This Court is not unmindful of the recent decision of the Court of Appeals in *Wilson v. Homestead Valve*, decided December 15, 1954, where interest was directed. In the exercise of its discretion, this Court approves the action of the Special Master in holding that Cold Metal is not entitled to an allowance of interest prior to the filing of the Master's report. Interest will be allowed Cold Metal on the sum of \$387,650.00 at the legal rate of 6% from May 28, 1954, which was the date of the report of the Special Master was filed with the Clerk of this Court.

[fol. 76] One final matter. Pursuant to agreement, each party paid one-half of the Special Master's compensation in advance, with the understanding that the Court was to determine how it was to be charged. The total payments amount to \$28,000.00. In addition, the Master was reimbursed for the cost of printing his report in the amount of \$738.92. The report was printed at the request of both parties. Under the special circumstances of this case, it seems fair and equitable to this Court that the compensation of the Special Master be borne equally by the parties hereto. By the same reasoning it is equitable that the costs of printing the Special Master's report be divided equally by the parties, as a Master's report is not usually required to be printed.

The report of J. Garfield Houston, Special Master, is by this Court adopted in all respects.

[fol. 77] IN UNITED STATES DISTRICT COURT

ORDER DIRECTING ENTRY OF JUDGMENT, ETC.—January 19,
1955

And now, this 19th day of January, 1955, after hearing and argument and upon consideration of the record and the briefs, the Findings of Fact of the Special Master are accepted by the Court, and the Conclusions of Law of the Special Master are held to be correct; and further, the

report of the Special Master is by this Court adopted in all respects;

And further, the Clerk is directed to enter judgment in favor of the plaintiffs, The Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, and against defendant, United Engineering & Foundry Company, in the sum of \$387,650.00, with interest from May 28, 1954;

And further, the compensation paid by the parties to J. Garfield Houston, Special Master, in the sum of \$28,000.00, is believed to be reasonable under all the circumstances, and the same is approved; and as the said compensation has been advanced by the plaintiffs and the defendant in equal amounts, in accordance with an arrangement made by the parties, the same is approved, and it is the order of this Court that the compensation of the Master be charged against each party in equal amounts, and as the same has already been advanced, no part thereof should be taxed as costs; and likewise, as the parties advanced the sum of \$738.92, covering printing costs paid by the Master, said arrangement is also approved, and it is directed that the same be not taxed as costs.

(S.) Joseph P. Willson, D.J.

[fol. 78] UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

No. 11,562

ORDER DISMISSING APPEAL—March 21, 1955

Present: Maris, Goodrich and Kalodner, Circuit Judges.

Upon consideration of the motion of the appellees to dismiss the appeal, and of the brief in support thereof; and of the appellant's brief in opposition; and after full hearing;

It is ordered that the above-entitled appeal be, and it is hereby dismissed, without prejudice to the right of the District Court, upon application of the appellant, to vacate its judgment entered in this cause on January 19, 1955 and

to enter a final judgment therein in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure.

By the Court, Maris, Circuit Judge.

March 21, 1955.

[fol. 79] IN UNITED STATES DISTRICT COURT

MOTION OF UNITED ENGINEERING & FOUNDRY COMPANY TO VACATE THE ORDER AND JUDGMENT ENTERED ON JANUARY 19, 1955 AND TO ENTER AN AMENDED ORDER AND JUDGMENT

United Engineering & Foundry Company respectfully moves this court to vacate its order and judgment entered in this cause on January 19, 1955 and to enter an amended order and judgment conforming with Rule 54 (b) of the Federal Rules of Civil Procedure.

The grounds of this motion are as follows:

1. Defendant (United) filed its Notice of Appeal from the above order and judgment on February 7, 1955, believing the judgment final and appealable. The plaintiffs (Cold Metal) filed a Notice of Appeal from the same order and judgment on February 16, 1955. Both appeals were docketed in the Court of Appeals for the Third Circuit on March 3, 1955, Cold Metal's appeal bearing Appeal Docket No. 11,561 and United's appeal bearing Appeal Docket No. 11,562.

2. On or about March 8, 1955, Cold Metal filed a motion to dismiss United's appeal on the ground that the judgment appealed from was not final because of the pendency of an unadjudicated Ancillary Complaint and Counterclaim heretofore filed by United against Cold Metal, Civil Action No. 7744, in this court, and particularly because this court had made no "express determination that there is no just reason for delay" in ordering the entry of the judgment of January 19, 1955, "as required by Rule 54 (b) of the Federal Rules of Civil Procedure." A copy of Cold Metal's motion, including its brief in support thereof, is attached to this motion as *Exhibit A*.

[fol. 80] 3. United's brief opposing Cold Metal's motion to dismiss United's appeal was filed on March 18, 1955. A

copy of United's brief is attached to the present motion as *Exhibit B*.

4. Cold Metal's motion to dismiss was argued before the Court of Appeals on March 21, 1955. On the same day that Court, per Maris, J., dismissed United's appeal, stating in its order:

"It is ordered that the above entitled appeal be, and it is hereby dismissed, without prejudice to the right of the District Court, upon application of the appellant, to vacate its judgment entered in this cause on January 19, 1955 and to enter a final judgment therein in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure."

5. On March 23, 1955, the parties hereto entered into a stipulation requesting dismissal of Cold Metal's appeal No. 11,561. That stipulation has been sent to the Court of Appeals, so that at the time this motion is noticed for hearing, it is assumed that Cold Metal's appeal will have been dismissed, thereby restoring full jurisdiction to this court to act on this motion.

6. For the reasons stated in United's brief (*Exhibit B*), we believe it clear that this court's disposition of the Master's Report should be reviewed by the Court of Appeals, before trial of the pending Civil Action 7744, and that there is no just reason for further delay in so doing. (See Order of Judge Miller in Civil Action 7744, entered July 6, 1954, printed as an appendix to Cold Metal's Motion, page 47a). We therefore urge this court to vacate its earlier order and judgment, and to enter an amended order and judgment, including in its amended order an "express [fol. 81] determination that there is no just reason for delay and . . . an express direction for the entry of a final judgment." A suggested Amended Order for final judgment is attached hereto in a form understood by United to make the amended order and final judgment appealable.

Respectfully submitted, (S.) Julian Miller, Jo. Bailly Brown, James S. Crawford, of Counsel for Defendant—United.

NOTICE

William H. Webb, Esq., Webb, Mackey & Burden, Farmers
Bank Building, Pittsburgh, Pa., Attorneys of record for
plaintiffs—Cold Metal et al.

Dear Sirs:

You are hereby notified that the foregoing Motion will
be presented to Judge Willson on March 30, 1955, or as soon
thereafter as counsel may be heard.

Brown, Critchlow, Flick & Beckham, by Julian Miller,
Attorneys of record for Defendant—United.

Acknowledgment of Service

Service of the above Notice with Motion attached is
acknowledged this 24th day of March, 1955.

Webb, Mackey & Burden, by William H. Webb.

[fol. 82] IN UNITED STATES DISTRICT COURT

TRANSCRIPT OF OFFICIAL NOTES OF PROCEEDINGS OF MARCH 30,
1955, ON HEARING ON MOTION TO VACATE ORDER ENTERED
JANUARY 19, 1955 BEFORE HONORABLE JOSEPH P. WILLSON,
JUDGE

The Court: Are counsel here in the Cold Metals case?

Counsel: Yes, your Honor.

The Court: I will hear that case first.

Mr. Brown: If the Court please, you have before you a
motion filed by the defendant in Equity 2991, for the Court
to vacate its order entered on January 19 after an argu-
ment before you which you may perhaps recall in December.

The argument came up on exceptions to a Master's report
who had considered the question of what payments should
be made under a contract between Cold Metal Process
Company and United.

The case was argued to you on the basis of the Master's
report and your decision was entered on January 19, and
with your opinion, and at the same time you filed an order
affirming the Master's report in all respects and ordering a
judgment against United for \$387,650.

We assumed that that was a final and appealable order—United, I mean. I represent United. We took a prompt appeal. We discussed with Mr. Webb the question of appeal, and he told us that he also was going to appeal from your Honor's order, and he did take an appeal.

Both appeals were taken, and after they were docketed in the Court of Appeals and therefore after the case was [fol. 83] out of your hands entirely, Cold Metal filed a motion to dismiss the appeal on the ground that Rule 54(b) had not been complied with, which, as your Honor doubtless knows, states that the Court may determine that there is no just reason for further delay and that its order is final, and under that rule such an order is final even though there may be other issues undecided and still pending before the lower court.

We went up to the Court of Appeals and argued. We contended that the order was final because it disposed of all issues that were raised in the Master's report which included the question of whether there was a license and what rate of royalty was to be paid under the license and what mills were listed to which the rate of royalty fixed by the Master and by your Honor should be applied, and determined the exact amount that United should pay under the theory of the Master and under the order and opinion of your Honor which affirmed the Master in all respects.

Cold Metal argued to the Court of Appeals that the order was not final and appealable because you had not certified that there was no just reason for delay and because they said there was a counterclaim pending.

Now that counterclaim arises in a Civil Action 7744 which had been filed several years ago.

The Court: The Master didn't adjudicate the counterclaim.

Mr. Brown: And which had not been adjudicated, sir.

The Court: The Master hadn't considered that.

[fol. 84] Mr. Brown: The Master hadn't considered it and it hadn't been before the Master in any way. The Master knew about it, and there were references about it. In fact, there were references to it in the argument before your Honor, but it wasn't before your Honor in any way directly or indirectly, as we see the matter.

Back in June of last year, that Civil Action 7744 was referred to Judge Miller for pretrial and for trial, and we went before Judge Miller, both parties, by their counsel, and stated to him that the disposition of the Master's report would probably make it unnecessary to try the issues under the civil action. Both parties agreed on that, and Judge Miller entered an order in which he stated that they had represented to him that the Master's report should be disposed of first, and that the other case might very likely be—it might be undesirable to try it at all. An order to that effect was entered by Judge Miller.

We assumed that that meant that that was laid aside until there would be a final disposition of the Master's report, and we also assumed that that meant a final disposition by the Court of Appeals, because the Master's report in the case that was argued to your Honor raised all the questions, vital questions that are necessary and prerequisite to a trial of the civil action which has been denominated an ancillary complaint to enforce the decrees and adjudications of the Court of Appeals, and also a counterclaim by way of set off or recoupment of any amount that might be finally adjudicated to be owed by United to Cold Metal.

Obviously, as your Honor can readily determine, readily see, the question of whether United has a license at all and [fol. 85] whether or not the mills that were involved in accounting come under that license, and whether the rate of royalty which was fixed by the Master and approved by your Honor applied—all of which Cold Metal contests—are matters that we think should and must be practically and finally decided before we can go ahead to establish the counterclaim as a set off, because the issues in the counterclaim or civil action, as I prefer to call it, are all based upon determination of the issues that were before your Honor and which were before the Master.

So it would seem to us that, aside from 54(b), it was clearly a final disposition of everything that was necessary before you could proceed intelligently in determining a set off and determining whether or not Cold Metal could sue United's customers and so on, matters which were raised in the counterclaim.

When we got to the Court of Appeals, the argument was based, I should say, substantially entirely upon whether or not it was necessary to have a certificate from your Honor that your decision was final and that you were entering a final order because there was no just reason for delaying, proceeding and disposing of the issues which you had decided. I argued, and sincerely, that I believed that your order was final and it was proper in all respects and was appealable. But the Court of Appeals asked me the embarrassing question, "Well, there was 54(b) which gave a very simple and easy way of making this final and appealable and taking away from us any question of determining whether it is appealable or not, per se, and why didn't you comply with 54(b)?"

[fol. 86] Well, our answer to that was we didn't think it applied, and second, that we believed that your Honor thought you were deciding this thing finally. We believed the Master thought that he was deciding something that would go to the Court of Appeals.

The Court: I don't recall that the matter was even argued. Neither side mentioned it in front of me.

Mr. Brown: It was not argued to you. I admit that. But I remember toward the end of the case you said, "Well, I think probably both parties want a quick decision from me." I remember that very distinctly. And immediately after your decision came down, we told Mr. Webb we were going to appeal. He said, "Well, I am going to appeal if you appeal." We entered into two stipulations as to what was to be considered in the record on appeal. And during the time before the appeal was docketed in the Court of Appeals, Mr. Webb never chirped about any question about the appealability of your order. In fact, we went into details of what was to be in the record on appeal. We stipulated a waiving of supersedeas bond, and only after the matter was out of your hands, so that we couldn't come back and ask you for a certificate, as it is sometimes called, under 54(b) was this question brought up.

The Court of Appeals, as I read it, as I understand it, practically said, "Well, here was a simple and easy way and that was the purpose of that rule and you just didn't comply with it, and we think you should have complied with 54(b)."

I stated to the Court of Appeals that this was a matter of great importance in respect to the time element; that [fol. 87] we were very anxious to get to the Court of Appeals before the adjournment for the summer for a number of reasons, one of which is that interest is running against us under your Honor's order at about \$2,000 a month, plus the fact that suits are going on against our customers which could be disposed of upon the issues that were before you, because—I am not going to argue the case, but Cold Metal maintains that we never had a license and that our customers never had any rights to use mills that United sold.

Now all of that is tied up in the question and the issues that were decided by you and that were raised on the Master's report. So it seems to me and it seems to the Court of Appeals, as I understood it, that it was clear that it was a thing that they should take up. And I say that because I said to the Court, "Well, we ask, we think that you could permit us to get an order *nunc pro tunc* and still maintain this appeal so that we would keep our time running so that we would get up before the adjournment of the court." And Judge Maris said, "Well, we will help you in this respect; We will give you a very prompt decision on this, and you can still get up to the Court of Appeals this spring."

And in his order which is quoted in our motion, he dismissed the appeal but said: "—without prejudice to application to the trial Court to vacate its other order and to enter a new order complying with Rule 54(b)." So we are now here asking you to amend your order. We are taking the liberty of suggesting a form of order. That isn't intended to put words in your mouth.

The Court: You would be satisfied with the order you presented?

[fol. 88] Mr. Brown: We think it is sufficient to make it appealable. That is the reason we thought it might be just a suggestion for your guidance.

The Court: That is all right.

Mr. Brown: We thought it might be helpful to you. As I say, we are not trying to put words in your mouth. But what we are asking for is an order that, as Judge Maris said, is in compliance with the provisions of Equity Rule 54(b) which will make it appealable.

Now, the law on this case—I am going to anticipate a little bit Mr. Webb's argument as determined by his objections that he has filed to our motion—the law on this case is settled in the Bendix case by the Third Circuit Court of Appeals in which they discuss at great length this 54(b), and they say that in multiple claims where one of them is finally disposed of—where one of them is disposed of, the Court can make that final for the purpose of appeal by entering an order complying with 54(b), certifying there is no just reason for delay and entering a final order, in which case any part of a case may be taken up to the Court of Appeals.

It is a long decision. The Court had a great hassle over it, evidently, but that is the law, as I understand it, of the Third Circuit Court of Appeals, and clearly makes it proper for you, in your discretion, if you decide that there is no just reason for not doing it, by making your amended order complying with Rule 54(b), to make it appealable and then we can go up and get this case disposed of before the adjournment for the summer recess.

I call to your attention as indicating—understand I am not trying to say that the Court of Appeals decided any—[fol. 89] thing more, but the Court of Appeals did say to me, “We will cooperate and give you a quick decision and you can still get up here before the summer recess.” Also, they entered their order dismissing the appeal the very same day it was argued to the Court of Appeals. Cold Metal, which also had appealed, they didn't dispose of that, but we filed a stipulation with the Court that that also could and should be dismissed under the general principle, and the Court entered an order on that. So that both orders have come down. There is no appeal pending and the matter is back in your hands.

And we think that justice requires, or justice will be advanced by entering an appealable order and let us go to the Court of Appeals.

May I say just a few more words about—I think the law as laid down in the Bendix case is clearly that regardless of what the other claims are, if one of them is disposed of by the Court, the Court says, “This is no reason for not making this final and therefore appealable.” It doesn't matter what the other claims are. But

I think it may be persuasive to your Honor to point out that those claims in this ancillary proceeding are dependent entirely upon a final disposition of the issues that were in your case.

In other words, Cold Metal says United never had any license, doesn't have any license.

The Court: Of course, aside from that, the Court intended that order to be a final order. Now, I might have suggested to counsel to prepare the order. Perhaps if I had done that you wouldn't be here today. You probably would have prepared the correct order. But the Court pre-[fol. 90] pared its own order, which in the future in a complicated case, because of this case, this Court will not do hereafter. But there is no question about it, as far as the Court is concerned, and I say that to Mr. Webb here and all of you, so far as I was concerned, when I entered that order, I intended a final appealable order with regard to the issue then before me, without question.

If there is some reason now why I shouldn't sign this proposed order, as Judge Maris has indicated, probably, that I would almost do perfunctorily, I will be glad to hear it. But the Court is of a mind to sign this order, put this case in shape so it can be appealed. Because I intended flatly, based on the arguments, based on Mr. Houston's report, to confirm that report. That is all. So that this case could be decided. I think it ought to be decided by the Court of Appeals.

I don't know now what this other counterclaim is all about. I don't think we have ever heard it. I don't think it was considered.

Mr. Brown: It wasn't presented to your Honor in any way.

The Court: It is probably the Court's fault for not suggesting that you prepare this order. Nevertheless, it is one of the things that happen.

Mr. Brown: We argued sincerely to the Court of Appeals that we thought your Honor's order was appealable, and I still think it was appealable. And as I understand, Judge Maris said to me, "Well, here was an easy way to remove any doubt. Why didn't you get this certificate?"

[fol. 91] The Court: We have this question up all the time

about 54(b) on these complicated matters. There is no question about that. I have entered several orders with this certificate in them. But for one reason or another we didn't do it this time. I didn't do it and probably should have. As it turned out, hindsight is a very good thing.

Mr. Brown: Had Mr. Webb even chirped to indicate any doubt as to the appealability of this—

The Court: I don't have that before me.

Mr. Brown: Your Honor, that is very important because time is of the essence in this thing.

The Court: I am going to decide this thing right here this morning in two minutes.

Mr. Brown: I think, your Honor, I can't say anything more that would be of any help to you.

The Court: Unless they show some good reason here.

Mr. Webb: Your Honor, I am sure I can give you good reasons for not signing this order.

The Court: Tell me why we didn't discuss it before, this counterclaim, in the case before the Master.

Mr. Webb: The issues raised by the counterclaim were not referred to the Master, your Honor. And the Master had nothing whatever to do with those issues.

The Court: I think that—

Mr. Webb: Therefore, when the case came before you, it came only on the objections to the Master's report. Those [fol. 92] are the only things that were argued to your Honor.

The Court: I thought that was all I had to decide.

Mr. Webb: That is all you had to dispose of.

The Court: That is right.

Mr. Webb: The issues raised by the counterclaim have to be tried, and as I look at it, they must be tried before there can be a real final decision in this case from which an appeal can be taken for the very simple reason that in the counterclaim, United is seeking a set off in respect of the amount that we have recovered in the case to date.

In other words, United in its counterclaim is trying to get a modification of or an extinguishment of the judgment which your Honor has already entered. And you must, I believe, keep that matter here before you, so that after the trial on the issues raised in the counterclaim, you can

reduce or extinguish the amount which you have already ordered that United is under obligation to pay.

The Court: The counterclaim remains unadjudicated, then?

Mr. Webb: That is correct, your Honor.

The Court: If the Court of Appeals should affirm this Court, then the counterclaim can be asserted against that judgment. This matter can be tried. Here we had a case ten years before the Master. And I think it ought to be decided.

[fol. 93] Mr. Webb: I think that aspect of the case has been disposed of by the Master and by your Honor. But nevertheless—

The Court: The Court of Appeals should pass on that.

Mr. Webb: No, I don't think so, your Honor, because of the close relationship between the issues that are raised in the counterclaim and the issues of the main claim. And I say with all sincerity, your Honor, that the decision which we have here clearly could not have been considered as a final decision under the historic practice prevailing in the federal courts or under original 54(b). And I don't think that it can properly be considered as a final decision under amended Rule 54 (b) and I believe that it is the kind of a situation which the Court of Appeals has already considered and spoken about in two very recent cases, the Newburgh Moire case which was decided in January of this year, and the McKague case, which was decided late last year.

In the McKague case, I might say that the case got up to the Court of Appeals and the Court, on its own motion, I believe, although there may have been a motion, but I think in that case it was on the Court's own motion, they said, "This is not a final decision." And the counsel for appellants said, "I'll run back to the District Court and I will get a certificate." And the Court of Appeals said, "No, we don't believe that the operative facts are such here as to justify the issuance of a certificate."

But then counsel for the appellant did come back to the District Court and despite what the Court of Appeals, said, [fol. 94] got a certificate in the District Court and then petitioned for rehearing in the Court of Appeals. And the Court of Appeals said to the appellant, "We told you before

that we didn't believe that this was the kind of a case in which a certificate should be issued, because there is a counterclaim pending here." And the Court of Appeals said:

While we predicate our decision on the fact that the District Court did not have jurisdiction at the time that you got this certificate to grant it, nevertheless, we want to state for the guidance of the court below that if suits such as that at bar which present no major issue or guiding principle are to be cut up and brought piecemeal before appellate tribunals, Rule 54 (b) will not fulfill its function, and continued disregard of the spirit of the rule must inevitably lead to its modification or repeal.

That was in the McKague case which was decided last year.

And then in the Newburgh Moire case, where—

The Court: Mr. Webb, it doesn't do any good—the way I view it, we have a case here that has been going on for twenty years. There are cases in all district courts in the east, apparently, on this question. It just seems to me that we should proceed the way we intended, the way the Court thought everybody wanted the Court to proceed, and that was that that argument should be a final decision on Mr. Houston's report.

I think, so far as this Court is concerned, without a decision by the Court of Appeals on that report, that we would just be wandering in an area where we couldn't see our [fol. 95] way out if we tried any other issue until this case is decided.

Mr. Webb: I don't view it in that light, your Honor.

The Court: The Court does.

Mr. Webb: I have here a brief that I would like very much to submit to your Honor.

The Court: Mr. Webb, I think this is exactly the proceeding the Court should have taken in the first place. I say that very frankly. It is what I intended. This matter was not raised at argument. We argued it very extensively. Briefs were filed, and I don't remember that anything was

said about waiting for any other counterclaim or anything else.

Mr. Webb: There wasn't any occasion for us to mention the counterclaim at that time. It is not our counterclaim. It is United's counterclaim, and what they are trying to do, your Honor—

The Court: I say very frankly that had this matter been raised, had the Court considered the necessity of applying the 54 (b), it would have only taken a couple of seconds to insert that sentence, that magic sentence in that order.

Mr. Webb: Yes, your Honor. And I almost think I could have convinced you that you shouldn't have put those words into the order, your Honor.

The Court: With all deference to other Courts and to counsel in this case and to you, Mr. Webb, I feel they are entitled to have this order. I personally would like to see the Court of Appeals pass on this matter because I think [fol. 96] it will in the long run facilitate this litigation, in the hope that at some time it will come to a termination and an end. I don't think it can until they have decided this case.

Mr. Webb: May I suggest one thing to your Honor in regard to the nature of the counterclaim? I don't believe that we have ever discussed to your Honor—

The Court: I don't think it is a proper time to discuss it.

Mr. Webb: —the nature of the counterclaim which I think has to be taken into account in order to determine whether or not this thing can properly be considered as an appealable order.

What they are in effect doing in the counterclaim, your Honor, is seeking to extinguish this recovery that we have gotten as a result of the Master's decision and as a result of your Honor's decision in this case.

Now, they came in, they asserted a great many defenses before the Master, and I think your Honor was correct when your Honor suggested in your opinion that they had no right to raise this matter of failure of consideration, but in any event they did raise it, they have asserted all of these defenses, and they have been knocked down by both the Master and by your Honor, and now they want to go to the Court of Appeals on those matters. Then if they don't

prevail before the Court of Appeals, and if the Court of Appeals does not strike out the award which your Honor has made to us, then they are going to come back here and on their counterclaim they are going to drag us and your Honor through all of these same facts for the purpose of [fol. 97] asserting to your Honor that there should be a set off as against this judgment.

Now I think that no final judgment here can be entered until after we see whether or not there is any substance to the matters which are raised in the counterclaim.

The Court: I think if we get a clear cut decision from the Court of Appeals on this question, on this Master's report, and the issues that are raised, and the objections, I think then any Court here, in this Western District of Pennsylvania, will be—the way will be pointed out whereby those matters can be adjudicated. And without that, I think we are just wandering. I know this Court at least would wander around in a forest where you couldn't see your way out.

Mr. Webb: I have pointed out, your Honor, that there are no principles that are going to be adjudicated by the Court of Appeals on this appeal of United's that will have any real bearing at all on the issues that are raised in the counterclaim.

The Court: That may be. But we will have this issue—the many issues raised before that Master will be settled.

Mr. Webb: Your Honor, there was nothing capricious in regard to that, despite the impression Mr. Brown tried to create.

The Court: You had a right to assert—

Mr. Webb: We told the Court of Appeals, the Clerk, that we were merely filing a precautionary appeal because we [fol. 98] were going to file a motion to dismiss Mr. Brown's appeal.

The Court: You had a right to.

Mr. Webb: Contrary to Mr. Brown's suggestion to you this morning, the Court of Appeals did not say to Mr. Brown that they were going to help him out by making a quick decision so that he could get back up to the Court of Appeals before they adjourned this spring. They said, "We will give you a prompt decision," and they did. But

I believe, your Honor, that your Honor's decision, if you decide to grant this certificate, will be subject to review by the Court of Appeals, and I am firmly of the view that the Court will consider it an act of—well, let me put it this way—not the exercise of proper discretion.

The Court: That may be.

Mr. Webb: I have cases here, your Honor.

The Court: They can consider it.

Mr. Webb: I have cases in the brief, which, if you will look at them, will convince you that this thing should not be signed.

The Court: What I want to do today is to do what I intended to do at the time the Court prepared its own order. That is all. I want to do what I intended to do then, in other words, enter a final decision on the Master's report so that it could be heard by the Court of Appeals. It is what the Court considered and had in mind doing, and I say probably, had the Court sent the order, suggested that Mr. Brown prepare the order, we wouldn't have been here today. But the Court prepared its own order. [fols. 99-100] Especially in a patent case I am not going to do that hereafter.

Mr. Webb: Your Honor, we certainly would have been up here arguing that this could not be a final order and—

The Court: Let me have a pen. I want to sign this thing.

Mr. Webb: Your Honor doesn't want the brief?

The Court: No, I want to decide this thing the way I intended to decide it.

I am verry sorry, gentlemen. I hate to disappoint anybody, but that is the way it should be.

I again say, Mr. Brown, you are satisfied with this proposed order, are you?

Mr. Brown: We attempted to be careful in it, your Honor, to comply with the rule.

The Court: I looked at it before I came on the bench.

Mr. Brown: It doesn't change anything in your formal order on the merits.

The Court: All right. There is your order.

Proceedings. Concluded.

[fol. 101] IN UNITED STATES DISTRICT COURT

AMENDED ORDER DIRECTING ENTRY OF FINAL JUDGMENT—
March 30, 1955

And now, this 30th day of March, 1955, after hearing counsel for both parties on defendant's motion to vacate the order and judgment entered January 19, 1955, and to enter herein an amended order and final judgment in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure, and upon consideration thereof, the order and judgment heretofore entered on January 19, 1955, are hereby vacated; and this court hereby makes an express determination that there is no just reason for delay in entering an order and final judgment disposing of the issues raised by the Report of the Special Master, filed herein on May 28, 1954, in accordance with this court's opinion filed January 19, 1955; and this court hereby expressly directs the entry of a final judgment herein, as follows:

1. The findings of fact of the Special Master are accepted by the court, and the conclusions of law of the Special Master are held to be correct; and further, the report of the Special Master is by this court adopted in all respects.

2. The Clerk is directed to enter final judgment in favor of the plaintiffs, The Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, and against defendant, United Engineering & Foundry Company, in the sum of \$387,650.00, with interest from May 28, 1954.

3. The compensation paid by the parties to J. Garfield Houston, Special Master, in the sum of \$28,000.00, is believed to be reasonable under all the circumstances, and the same is approved; and as the said compensation has been [fol. 102] advanced by the plaintiffs and the defendant in equal amounts, in accordance with an arrangement made by the parties, the same is approved, and it is the order of this Court that the compensation of the Master be charged against each party in equal amounts, and as the same has already been advanced, no part thereof should be taxed as costs; and likewise, as the parties advanced the sum of \$738.92, covering printing costs paid by the Master, said

arrangement is also approved, and it is directed that the same be not taxed as costs.

(S.) Joseph P. Willson, District Judge.

IN UNITED STATES DISTRICT COURT

ORDER STAYING ENFORCEMENT OF JUDGMENT—March 31, 1955

And now this 31st day of March, 1955, the parties hereto having been heard, and it appearing to the court that defendant, United, is abundantly able to satisfy the said judgment if it is affirmed, the court orders that enforcement of the judgment, entered herein on March 30, 1955, be stayed pending appeal.

(S.) Joseph P. Willson, United States District Judge.

[fol. 103] UNITED STATES COURT OF APPEALS FOR THE THIRD
CIRCUIT

No. 11,582

THE COLD METAL PROCESS COMPANY and THE UNION NATIONAL BANK OF YOUNGSTOWN, OHIO, TRUSTEE, Plaintiffs-Appellees

v.

UNITED ENGINEERING & FOUNDRY COMPANY, Defendant-Appellant

Equity No. 2991

MOTION TO DISMISS APPEAL OF UNITED ENGINEERING & FOUNDRY COMPANY—April 13, 1955

Now come The Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, plaintiffs-appellees, and move to dismiss the appeal of United Engineering & Foundry Company, defendant-appellant, on the ground that this Court is without jurisdiction for the following reasons:

At The amended order and judgment entered March 30, 1955, which awards to plaintiffs \$387,650.00 and interest

and from which defendant has appealed, is not a final decision under Title 28, U.S.C., Sec. 1201, since there has been no adjudication of defendant's counterclaim in which it seeks an accounting, damages, and a set-off against the amount awarded to plaintiffs on the basis of facts arising out of the same transaction as that on which the complaint is founded.

[fol. 104] B. Although the amended order of March 30, 1955 recites that "there is no just reason for delay" and contains "an express direction for the entry of judgment" for plaintiffs in the amount of \$387,650.00, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, no real "determination that there is no just reason for delay" was made by the District Court.

C. Even assuming that the action taken by the District Court constitutes a "determination that there is no just reason for delay," that "determination" is clearly erroneous and the amended order and judgment of March 30, 1955 do not constitute a final decision from which an appeal lies to this Court.

William H. Webb, Clarence B. Zewadski, William Wallace Booth, Attorneys for Plaintiffs-Appellees.

Webb, Mackey & Burden; Whittemore, Hulbert & Belknap; Reed, Smith, Shaw & McClay, of Counsel.

April 13, 1955.

[fol. 105] UNITED STATES COURT OF APPEALS FOR THE THIRD
CIRCUIT

No. 11,582

THE COLD METAL PROCESS COMPANY and THE UNION NA-
TIONAL BANK OF YOUNGSTOWN, OHIO, TRUSTEE

v.

UNITED ENGINEERING & FOUNDRY COMPANY, Appellant

Appeal from the United States District Court for the
Western District of Pennsylvania

Argued April 18, 1955

Before Goodrich, McLaughlin and Staley, Circuit Judges

OPINION SUR MOTION TO DISMISS APPEAL—Filed April 21,
1955

PER CURIAM:

The appellee in this case has filed a motion to dismiss the appeal of United Engineering & Foundry Company on the ground that the judgment appealed from is not final. A similar motion was made on March 21, 1955, which was granted. The order granting the motion was made "[fol. 106] out prejudice to the right of the District Court . . . to enter a final judgment therein in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure."

Following this order United presented to the United States District Court for the Western District of Pennsylvania a motion to vacate its judgment of January 19, 1955, and to enter judgment in accordance with Rule 54 (b). This was done by the district court on March 30, 1955, after argument in open court. We think the determination made under the circumstances of this case is the very kind of thing Rule 54 (b) was written to provide for. We see not violation of discretion on the part of the district judge in entering it.

The motion of the appellee to dismiss will, therefore, be denied.

[fol. 107] UNITED STATES COURT OF APPEALS FOR THE THIRD
CIRCUIT

No. 11,582

THE COLD METAL PROCESS COMPANY and THE UNION NA-
TIONAL BANK OF YOUNGSTOWN, OHIO, TRUSTEE

VS.

UNITED ENGINEERING & FOUNDRY COMPANY, Appellant

Present: Goodrich, McLaughlin and Staley, Circuit Judges.

ORDER DENYING MOTION TO DISMISS APPEAL—April 21, 1955

It is ordered that the motion by appellees to dismiss the
appeal in the above-entitled case be, and it is hereby denied.

Attest: Ida O. Creskoff, Clerk.

April 21, 1955.

[fol. 108] IN UNITED STATES DISTRICT COURT

BILL OF COMPLAINT—EQUITY No. 2991—Filed November
17, 1934

To the Honorable, the Judges of said Court:

The plaintiff, The Cold Metal Process Company, brings
this, its bill of complaint, against United Engineering &
Foundry Company and for complaint charges and avers:

1. Plaintiff, The Cold Metal Process Company, is and
at all times hereinafter mentioned was a corporation or-
ganized and existing under the laws of the State of Ohio,
with its principal place of business in the City of Youngs-
town, Ohio, and is a citizen and resident thereof.

[fol. 109] 2. Defendant, United Engineering & Foundry
Company, is and at all times hereinafter mentioned was a
corporation organized and existing under the laws of the
Commonwealth of Pennsylvania, with its principal place
of business in the City of Pittsburgh, Pennsylvania, in the
Western District of Pennsylvania, and is a citizen and resi-
dent thereof.

3. This action is between citizens of different states and

the amount in controversy is in excess of \$3000 exclusive of interest and costs.

4. On or about the 30th day of June, 1923, Abram P. Steckel, of Youngstown, Ohio, being then the original first and sole inventor of certain new and useful improvements in Metal Rolling, and having complied with all of the requirements of the statutes in such cases made and provided, made application in due form of law to the Commissioner of Patents of the United States for letters patent of the United States, which application was given serial number 648,761. By a valid written assignment duly recorded in the United States Patent office, the entire right, title and interest in and to said application, together with all inventions disclosed therein and any letters patent which should be issued thereon, and all divisions thereof, became vested in the plaintiff. Pursuant to a holding of the patent Office that the subject matter of certain claims presented in said application was for a separate invention from that defined in other claims of said pending application, and pursuant to a requirement for division as between said subjects matter of invention, the said Abram P. Steckel, on or about [fol. 110] the 9th day of December, 1929, filed a divisional application in the United States Patent Office, which divisional application embodied subject matter of the said application filed June 30, 1923. By a valid written assignment duly recorded in the United States Patent Office, the entire right, title and interest in and to said divisional application, including all inventions therein disclosed and any letters patent which should be granted upon said application, became vested in the plaintiff. Such proceedings were had upon said divisional application that on the 21st day of October, 1930, letters patent No. 1,779,195 were granted to plaintiff, as the assignee of the said Abram P. Steckel, in conformity with the requirements of the statutes in such cases made and provided, under the seal of the Patent Office and signed by the Commissioner of Patents. A copy of said patent 1,779,195 is filed herewith, marked "Exhibit A", and made a part hereof.

5. On or about the 20th day of April, 1926, Florence C. Biggeri, Jr., of Crafton, Pennsylvania and Lane Johnson, of Ingram, Pennsylvania filed their application in the

United States Patent Office for letters patent of the United States covering an alleged invention relating to improvements in Rolling Mills, which application was given serial number 103,264. By a valid written assignment, the entire right, title and interest in and to said application, together with all inventions disclosed therein and any letters patent which should be granted upon said application, became vested in the defendant.

[fol. 111] 6. On or about the 20th day of June, 1927, plaintiff and defendant entered into a certain agreement, herein after termed the "1927 agreement". A true copy of said agreement is hereto attached, marked "Exhibit B", and made a part hereof. Profert is hereby made of said Steckel application Serial No. 648,761 and said Biggert and Johnson application Serial No. 103,264. Said applications are the only applications owned by the parties to said agreement containing common subject matter, as contemplated by said 1927 agreement.

7. Said letters patent No. 1,779,195 (Exhibit A of this bill of complaint) is the only patent issued to plaintiff containing any claim or claims to the "common subject matter" referred to in said 1927 agreement. Except insofar as the same may be affected by said 1927 agreement, plaintiff owns and always has owned the entire right, title and interest in and to said letters patent No. 1,779,195, and the inventions therein described and claimed.

8. Plaintiff, conceiving that defendant, by its conduct in respect of the subject-matter, had breached the 1927 agreement, filed its bill of complaint in this Court against defendant on the 7th day of March, 1931, Equity No. 2506, charging defendant with infringement of said letters patent 1,779,195, to which complaint defendant duly answered, and after a hearing on full proofs this Honorable Court held said patent 1,779,195 valid; held that defendant's acts would have constituted infringement except for said 1927 agreement held that the said 1927 agreement was a valid subsisting contract, and dismissed the bill of complaint at the costs of the plaintiff.

[fol. 112] 9. The decree of the Court in said cause, Equity No. 2506, was entered on the 9th day of January, 1933. On the 27th day of February, 1933, plaintiff petitioned for

a re-argument, which petition was denied without opinion on the 26th day of April, 1933. On the 18th day of July, 1933, defendant appealed from the said decree of January 9, 1933, which said appeal was at No. 5233, October Term, 1933. By said appeal defendant avowedly sought to obtain a holding by the Court of Appeals that patent 1,779,195 was invalid. The Circuit Court of Appeals, holding that so long as defendant claimed the benefits of the 1927 agreement it could not question the validity of patent 1,779,195, dismissed the appeal on the 3rd day of January, 1934; 68 F. (2d) 564.

On the 5th day of February, 1934, defendant petitioned the Supreme Court of the United States for a writ of certiorari in said cause, and on the same day petitioned for a writ of mandamus directed to the judges of the United States Circuit Court of Appeals for the Third Circuit and to said Court, commanding them and each of them to entertain and determine defendant's appeal, and for other and further relief in the premises, which said petition for writ of certiorari and said motion and petition for writ of mandamus were denied without opinion by the Supreme Court of the United States on March 5, 1934.

10. Since a time commencing shortly after the decree of said Court in said cause, Equity No. 2506, plaintiff has diligently sought to fix and determine by agreement with [fol. 113] defendant, or to have fixed and determined by arbitration, the amounts due to plaintiff from defendant under said 1927 agreement, but has been wholly unsuccessful, because defendant has willfully, maliciously, and without just cause, failed or refused to settle or determine, or in good faith to assist in settling or determining, the amounts to which plaintiff is and will be entitled under said 1927 agreement. Although plaintiff has been ready and willing at all times to arbitrate the amounts due it under the said 1927 agreement, defendant has failed or refused to cooperate and continues to fail or refuse to cooperate therein. Of the arbitrators originally named in said 1927 agreement, two of them, namely, Marshall A. Christy and Charles H. Booth, are dead, and the third, namely, Rollin C. Steese, has resigned and signified his refusal to serve as an arbitrator; and plaintiff has sought to arrange with defendant for

the naming of other arbitrators, but defendant has captiously and unreasonably refused to name unbiased arbitrators and/or has insisted upon unreasonable and inequitable conditions for arbitration or qualifications for the arbitrators; has insisted upon its alleged right to name an arbitrator avowedly partisan to defendant; has insisted that patent 1,779,195 must be adjudicated in other courts prior to arbitration; and has otherwise rendered it impossible to arbitrate under said 1927 agreement; all for the purpose of circumventing the decision of this Court in said cause, Equity No. 2506, and to postpone indefinitely any payment to plaintiff under the 1927 agreement.

11. On the 5th day of October, 1934 plaintiff, under the [fol. 114] provisions of the United States Arbitration Act, Feb. 12, 1925, c. 213, petitioned this Court to order plaintiff and defendant to proceed to arbitration under the 1927 agreement, to designate and appoint arbitrators to act thereunder, and to grant such other and further relief as might be required, which application is numbered 808 in the Miscellaneous docket of this Court. This Court granted a rule upon defendant to show cause why the relief prayed for should not be granted. Defendant appeared and moved to dismiss the petition on the grounds that no such contract, agreement, or other facts were disclosed thereby as to entitle plaintiff to the appointment of arbitrators, and that this Court has no jurisdiction in the premises. Said motion to dismiss is still pending and undetermined. On the same day that said motion to dismiss was filed in this Court, to wit, October 15, 1934, this defendant, by the same counsel, filed a bill of complaint in the District Court of the United States for the Northern District of Ohio, Equity No. 5059. A copy of said bill, Equity No. 5059, is attached hereto, marked "Exhibit C", and made a part hereof. Said bill of complaint, Equity No. 5059, purports upon its face to seek, *inter alia*, the identical relief sought by plaintiff in said application No. 808 Miscellaneous; but, upon information and belief said bill, Equity No. 5059, was in truth and in fact drawn for the purpose and with the intention on the part of defendant of again postponing the fixing of payment under the 1927 agreement until after the validity of

said patent 1,779,195 has been passed upon in various Circuit Courts of Appeal and by the Supreme Court of the [fol. 115] United States in suits brought by defendant and controlled by it, and that it is the purpose and intention of defendant to do everything in its power to have said patent declared invalid in said suits for the purpose of reducing defendant's obligation to plaintiff.

12. Plaintiff has at no time received any monies or anything of value whatsoever from defendant in payment or partial payment under said 1927 agreement, or otherwise.

13. Defendant has refused to accept and abide by the decision of this Court in said cause, Equity No. 2506, as to the validity and scope of said patent 1,779,195 and (as appears, *inter alia*, from defendants said bill of complaint, Equity No. 5059, and especially clause 14 thereof) has failed and refused and continues to fail and refuse to determine, or take any steps toward determining, its obligations under said 1927 agreement until the patent suits, hereinafter more specifically referred to, brought by defendant under said patent 1,779,195, have been finally decided.

14. On information and belief, defendant's acts, *inter alia* its insistence upon the naming of an avowedly partisan arbitrator, its motion to dismiss in the matter of said application No. 808 Miscellaneous, and its filing of said bill of complaint, Equity No. 5059, are part of scheme calculated to delay and indefinitely postpone the determination of defendants obligations under said 1927 agreement, all for the purpose of giving defendant sufficient time to bring about by fraudulent and collusive means, holdings, in other Federal Courts, of invalidity of said patent 1,779,195 in the [fol. 116] hope that defendant's liability to plaintiff will thereby be lessened.

15. It is to defendant's interest to have said patent 1,779,195 declared invalid. Plaintiff has built up an extensive system of licensing under its patents, and pursuant to the license agreements so effected plaintiff's licensees have paid and continue to pay large royalties based upon the tonnage of steel or other metal rolled on the licensed rolling mills. Defendant has built a number of rolling mills, especially cold mills of the reversing type, allegedly under the provisions of said 1927 agreement, but so far as plain-

tiff is advised has made no provision for the collection of tonnage royalties from its customers, and said mills, so far as plaintiff is informed, are operating without the payment of any royalties except that as to certain mills built by defendant its customers are paying royalties to The American Rolling Mill Company, an Ohio corporation, of Middletown, Ohio, hereinafter sometimes referred to as "Armco." As to such royalties, plaintiff has not at any time received, nor is it at the present time receiving, any share thereof. Plaintiff is entitled to have a return under said 1927 agreement, which is based upon the tonnage of steel or other material produced on mills built by defendant; but defendant, by reason of certain ill-advised guarantees and agreements made when defendant was actively seeking by litigation in this Court and prior thereto to have said patent 1,779,195 held invalid, is unable to collect such tonnage royalties or any part thereof from its vendees of the patented mills without making some concessions to [fol. 117] such vendees, for which reason, *inter alia*, defendant is seeking to have said patent 1,779,195 held invalid.

16. On information and belief, certain steel manufacturers, customers of defendant, seeking to avoid payment of the tonnage royalties rightfully due plaintiff and acquiesced in by numerous other representative steel manufacturers, have threatened not to deal with defendant, or to deal with it in a much more limited degree, in the purchase of rolling mills, rolling mill equipment and mill rolls in the event defendant attempts to collect any tonnage royalties from such steel manufacturers; and defendant for this reason, *inter alia*, is desirous of having patent 1,779,195 held invalid.

17. Defendant has refused to pay monies or anything of value to plaintiff under the 1927 agreement, including tonnage royalties; yet defendant, because of its rights in said 1927 agreement, has obtained and/or now owns rights of great value under which it is collecting or is in position to collect tonnage royalties up to One Dollar per ton under patents and applications of said Armco. By a certain agreement dated the 28th day of September, 1927, between defendant, said Armco, and the The Columbia Steel

Company, defendant undertook to assign to Armco or its nominee a certain patent application or applications relating to 4-high roller bearing mills, and that said Armco agreed to pay to defendant one-third of the net amount of the royalties received by Armco under certain license agreements then existing or thereafter to be entered into between Armco license agreements then existing or thereafter to be entered and various steel manufacturers throughout [fol. 118] the United States. A true copy of said agreement is hereto attached, marked "Exhibit D," and made a part hereof. Said agreement was modified by a supplemental agreement dated May, 1928, a copy of which is hereto attached, marked "Exhibit E," and made a part hereof, and said agreements were superseded by a certain agreement dated June 23, 1928, a true copy of which is hereto attached, marked "Exhibit F," and made a part hereof. On the 13th day of June, 1929, Armco and defendant entered into another agreement a true copy of which is hereto attached, marked "Exhibit G," and made a part hereof, by which agreement Armco agreed to grant licenses at the request of defendant with the understanding and agreement that defendant should not charge licensees royalties exceeding One Dollar per ton. By reason of said agreement dated June 23, 1928, Exhibit F, defendant has precluded itself from bringing suit against licensees of Armco (including Illinois Steel Company) as hereinafter more specifically set forth; and by said agreement of June 13, 1929, Exhibit G, defendant is prohibited from making any modification of the said 1927 agreement with plaintiff without the written consent of Armco.

18. On information and belief:

Defendant's attitude toward patent 1,779,195 is and always has been hostile; and prior to the issuance of said patent defendant attempted to force a new and more favorable contract with plaintiff to take the place of said 1927 agreement and laid down the ultimatum that if its demands were not met by plaintiff, defendant would under- [fol. 119] take to block plaintiff in the Patent Office; and upon plaintiff's refusal to modify the said 1927 agreement in terms more favorable to defendant, defendant attempted to prevent the issuance of patent 1,779,195. Immediately

after the issuance of said patent, defendant entered upon a plan of action, the purpose of which was to bring about a holding that said patent 1,779,195 is invalid, and to this end defendant entered into a certain agreement or agreements with a competitor or competitors of defendant under which said competitor or competitors were to seek to provoke a suit under said patent 1,779,195 whereby the validity or invalidity of the patent might be determined; and defendant stood ready and willing to aid such competitor or competitors in such litigation to whatever extent possible in an attempt to have said patent declared invalid. By the terms of said agreement or agreements defendant's competitor or competitors, in the event of the patent being held valid and the 1927 agreement being held in force, were to receive from defendant a sub-license or sub-licenses on terms as favorable as those which defendant might obtain under a license to be granted to it under said 1927 agreement. No consideration whatsoever was paid or agreed to be paid by said competitor or competitors to defendant for such agreement or agreements, and the same were entered into solely for the purpose of bringing about a situation in which the validity of said patent 1,779,195 could be attacked by defendant and others without defendant openly appearing or showing its true position.

The existence of such agreement or agreements was not [fol. 120] known to plaintiff or any of its officers, agents, or representatives, until after the decision of this Court in said cause, Equity, No. 2506.

In said cause, Equity No. 2506, defendant sought by every means within its power to have said patent 1,779,195 declared invalid, and subsequent to the findings of this Court that the same is valid, in its petitions, briefs, and arguments, and otherwise represented to the Circuit Court of Appeals for the Third Circuit, to the Supreme Court of the United States, and to others, that the patent was invalid and that the validity thereof had not been determined by this Court; and defendant still asserts that the said patent is invalid and/or that its validity has not been determined by this Court, except where in support of pleadings in actions instituted by defendant it finds it necessary to assert that the same is valid, or where it is otherwise advantageous to

defendant to so assert; but except in such instances defendant continues to assert that the patent is invalid and/or not adjudicated valid, and continues, in its attitude and general conduct, hostile thereto.

19. On the 9th day of July, 1934, and despite the prior filing by plaintiff of a certain suit hereinafter referred to and exemplified by Exhibit K hereof, defendant filed a bill in equity in the United States District Court for the Northern District of Ohio, Equity No. 4981; joining E. W. Bliss Company, a Delaware corporation, and this plaintiff as parties defendant. A true copy of said bill of complaint is hereto attached, marked "Exhibit H"; and made a part hereof. Defendant, shortly prior to the bringing of said [fol. 121] bill, had requested this plaintiff to join it as a co-plaintiff therein, and plaintiff thereupon requested defendant to give it full details as to the structure and operation of the mill or mills to be complained of; undertook to take proper steps, including, if need be, the bringing of a suit to enjoin the use of mills made by E. W. Bliss Company which might come within the scope of said 1927 agreement; and well knowing defendant's hostile attitude toward the patent, requested that if any suit be brought this plaintiff should have full control thereof. Plaintiff also made certain other inquiries of defendant upon points which, in the opinion of its counsel, it needed information before deciding whether or not it should or could properly join defendant in a suit against said E. W. Bliss Company; but without making any reply to the proper requests of the plaintiff in this regard, defendant brought suit, Equity No. 4981, and falsely represented therein that plaintiff had declined to join with it in the bringing of such suit; and defendant, although many times requested, has refused and continues to refuse to give plaintiff the information sought by it in respect of said suit, or to give plaintiff full control thereover.

Plaintiff avers, on information and belief, that said suit, Equity No. 4981, is fraudulent and/or collusive and/or not in good faith; that defendant and E. W. Bliss have been and continue to be on the most friendly terms; that E. W. Bliss Company and its attorneys actively aided defendant during the litigation on patent 1,779,195 in said action in this Court, Equity No. 2506, and supplied defendant for

[fol. 122] use therein with information intended to be useful in attacking said patent 1,779,195, including a large amount of information collected by the attorneys for E. W. Bliss Company relating to the alleged prior uses at the plant of the American Tube & Stamping Company, Bridgeport, Connecticut, and elsewhere; that said E. W. Bliss Company further supplied defendant with the services of its then Chief Engineer, Lloyd Jones, to aid in the defense of said cause, Equity No. 2506, and caused and permitted him to testify on behalf of the defendant therein. Defendant, in the bringing of said cause, Equity No. 4981, procured the services of patent counsel who had previously represented defendant in said cause, Equity No. 2506, which counsel had openly and notoriously stated their belief that patent 1,779,195 was and is invalid and should not be sustained, and had so represented in this Court, in the Circuit Court of Appeals for this Circuit, and in the Supreme Court of the United States, and had endeavored in said Courts to obtain a holding that said patent 1,779,195 is invalid; and said counsel, although requested by plaintiff to do so, have failed or refused and still fail or refuse to withdraw from said suit, Equity No. 4981. Said counsel have represented to plaintiff that they would take no part in the trial of the cases brought by defendant on said patent 1,779,195, but that the same would be tried by other counsel; however, they have failed or refused to name said other counsel, although requested to do so, and defendant's present patent counsel continue to be of record in said suit, Equity No. 4981.

[fol. 123] An answer has been filed by the E. W. Bliss Company in said suit, Equity No. 4981, and plaintiff is informed and believes and therefore avers that said answer contains scandalous and impertinent matter and sets forth alleged grounds of defense not well founded in law; but that said patent counsel for the defendant, United Engineering & Foundry Company, have not brought any motion or other appropriate proceeding to have such improper material stricken from said answer, although the same attacks the *bona fides* of said United Engineering & Foundry Company in respect of its conduct relating to patent 1,779,195 and/or the application eventuating therein and charges that said United Engineering & Foundry Company is in Court with

unclean hands, and said patent counsel have not indicated or stated any intention to seek to have such improper matter stricken from said answer, but, on the contrary, have stated that they will do everything in their power to force said case to trial and obtain a final decision therein at the earliest possible moment, and that to this end they will seek immediately to have a Master appointed in said cause, pursuant to what they understand to be the practice in the United States District Court for the Northern District of Ohio, in patent cases of material length, namely, the appointment of a Master to hear the testimony and submit findings of fact, conclusions of law and a report to the Court; and said patent counsel have in no way evidenced any intention to seek to restrict the answer in said cause to proper defenses before seeking such order of reference. A [fol. 124] copy of said answer is hereto attached, marked "Exhibit H-2," and made a part hereof.

20. On the 3rd day of October, 1934, this defendant, despite the prior filing by plaintiff of a certain suit hereinafter referred to and exemplified by Exhibit "L" hereof, filed a bill of complaint in the District Court of the United States for the Northern District of Indiana, Equity No. 510, joining this plaintiff as an unwilling co-plaintiff and without the knowledge or consent of this plaintiff, and joining Illinois Steel Company, an Illinois corporation, Continental Roll and Steel Foundry Company, a Delaware corporation, and Hubbard Steel Foundry Company, a Delaware corporation, as parties defendant. A true copy of said bill of complaint is hereto attached, marked "Exhibit J," and made a part hereof. Shortly prior to the bringing of said suit defendant had requested plaintiff to join it as a co-plaintiff in said action, but in an unreasonably short time and without waiting for any reply to its demand and without any neglect or refusal on the part of plaintiff to state its position in respect of said proposed litigation, and without its refusal to join as a willing party-plaintiff, defendant filed said suit, employing therein the same patent counsel as in the said Bliss suit, Equity No. 4981. Plaintiff avers, on information and belief, that said suit, Equity No. 510, is fraudulent and/or collusive and/or not in good faith; that Illinois Steel Company is a subsidiary of United States

Steel Corporation and a licensee of said Armeo; that by reason of the terms of said agreement, Exhibit F, defendant [fol. 125] has no right to bring suit against said Illinois Steel Company; and that defendant has at numerous times throughout the life of patent 1,779,195 and prior thereto stated that for business reasons it could not and would not bring a suit in an attempt to enforce a patent, and particularly this patent, or any other patent relating to the subject matter thereof, against any steel company, and specifically against the United States Steel Corporation or any subsidiary thereof.

Defendant, in the bringing of said cause, Equity No. 510, procured the services of patent counsel who had previously represented defendant in said cause, Equity No. 2506, which counsel had openly and notoriously stated their belief that patent 1,779,195 was and is invalid and should not be sustained, and had so represented in this Court, in the Circuit Court of Appeals for this Circuit, and in the Supreme Court of the United States, and had endeavored in said Courts to obtain a holding that said patent 1,779,195 is invalid; and said counsel, although requested by plaintiff to do so, have failed or refused and still fail or refuse to withdraw from said suit, Equity No. 510. Said patent counsel have stated that they will not try said cause, Equity No. 510, but will obtain the services of other counsel for that purpose; but although requested to do so, they have failed or refused to name such other counsel, and defendant's present patent counsel continue to be of record in said cause, Equity No. 510.

Answers have been filed in said cause, Equity No. 510, and plaintiff is informed and believes and therefore avers that said answers contain scandalous and impertinent matter [fol. 126] and set forth alleged grounds of defense not well founded in law; but that said patent counsel for the defendant, United Engineering & Foundry Company, have not brought any motion or other appropriate proceeding to have such improper material stricken from said answers, although the same attack the *bona fides* of said United Engineering & Foundry Company in respect of its conduct relating to patent 1,779,195 and/or the application eventuating therein, and charge that said United Engineering &

Foundry Company is in Court with unclean hands; and said patent counsel have not indicated or stated any intention to seek to have such improper matter stricken from said answers, but, on the contrary, have stated that they will do everything in their power to force said case to trial and obtain a final decision therein at the earliest possible moment. Copies of said answers are hereto attached, marked "Exhibit J-2" and "Exhibit J-3," and made a part hereof.

21. Plaintiff has taken and is taking all steps reasonably necessary or proper to maintain said patent 1,779,195 against infringers, and to that end has brought and is actively prosecuting and intends to continue to actively prosecute suits against alleged infringers. On July 7, 1934, plaintiff brought suit against United States Steel Corporation and The American Sheet & Tin Plate Company in the District Court of the United States for the District of New Jersey, Equity No. 4906, charging infringement of said patent 1,779,195, a true copy of the bill of complaint therein being hereto attached, marked "Exhibit K", and made a part hereof; that certain of the mills complained of were built [fol. 127] by said E. W. Bliss Company, and one of the same mills complained of in said suit filed by defendant, Equity No. 4981; that said E. W. Bliss Company is actively and openly defending said suit; that on September 21, 1934, plaintiff brought suit against said Continental Roll & Steel Foundry Company in the United States District Court for the District of Delaware, Equity No. 1078, charging infringement of said patent 1,779,195, a true copy of the bill of complaint therein being hereto attached, marked "Exhibit L", and made a part hereof; that the mill complained of is the same mill complained of in said suit filed by defendant, Equity No. 510; said suit, Equity No. 4906, was filed prior to the suit brought by defendant against E. W. Bliss Company and this plaintiff, Equity No. 4981; that the suit filed by this plaintiff against Continental Roll & Steel Foundry Company, Equity No. 1078, was brought prior to the bringing of the said suit by this defendant against Illinois Steel Company, said Continental Roll & Steel Foundry Company and Hubbard Steel Foundry Company, Equity No. 510; that the defendant had knowledge of the bringing

of both of said suits before it brought any corresponding suits; and that the suits brought by defendant are wholly unnecessary and, as aforesaid, are fraudulent, collusive and not in good faith, and are brought solely for the purpose of having the patent held invalid.

22. On information and belief said bills of complaint filed by defendant, Equity No. 4981, Equity No. 510 and Equity No. 5059, are part of a general plan adopted by defendant to circumvent the holdings of this Court in said cause, Equity No. 2506, by bringing about, through fraudulent and/or collusive means and/or improper or insufficient prosecution, a holding or holdings that patent 1,779,195 is invalid, and postponing any determination of the amounts due plaintiff under the 1927 agreement until after such holding or holdings are obtained; and said plan, and all of defendant's acts pursuant thereto, are a fraud upon this Court and on the holding of this Court in said cause, Equity No. 2506, and said bills of complaint filed by defendant are frauds upon the respective Courts in which they are filed.

23. On information and belief, defendant threatens to bring other and likewise unwarranted and fraudulent actions in other Courts at different places in the United States, and plaintiff has been put and will continue to be put to great trouble, inconvenience and expense in connection with said actions and in appearing in a multiplicity of suits, thus improperly created, to protect its interests therein.

24. Upon information and belief, while by its decision in said cause, Equity No. 2506, this Court has held that the said 1927 agreement was a valid and subsisting contract at the time the bill in that suit was filed and that the acts of the defendant complained of by plaintiff in that suit were proper thereunder, that the exclusive license provided for in said agreement has never been issued to the defendant and the defendant has never so performed its obligations under said agreement as to entitle it to require that such license be [fol. 129] delivered to it; that the defendant does not have and never has had such title or interest in said patent or such a license right therein as to enable defendant to bring or maintain any infringement suit based on patent 1,779,195; that since the making of the agreement the defendant has

done everything in its power to prevent the fixing of the payments to be made under the 1927 agreement and to postpone the time when the same should be paid; that finally in bringing the suit, Equity, No. 5059, in the United States District Court for the Northern District of Ohio, defendant is again attempting not only to re-litigate the questions litigated in this Court but to postpone the time for fixing and making payments under the contract of 1927 until after the various suits brought by it shall have been passed upon by a court of last resort; that defendant is not at this time entitled to a license, and defendant has asserted in the Supreme Court of the United States that said 1927 agreement does not grant a license but is merely an executory agreement for the grant of a license; but despite such facts, defendant, by bringing and threatening to bring infringement suits as aforesaid, has put and threatens to continue to put plaintiff to great trouble, inconvenience and expense in appearing in a multiplicity of suits for the preservation of its interests as aforesaid.

25. Plaintiff and defendant have been unable and continue unable to agree upon the scope of said 1927 agreement, and plaintiff is informed and believes and therefore avers that defendant, while refusing and continuing to refuse to pay any royalties for the use of the invention, is [fol. 130] disputing and expects to continue to dispute indefinitely the scope of the said 1927 agreement for the purpose of preventing or indefinitely delaying any final determination of defendant's liability to plaintiff thereunder.

26. Defendant, while using and continuing to use the invention of said patent 1,779,195 throughout the period of more than four years since said patent issued and more than seven years since the execution of said 1927 agreement, has paid plaintiff absolutely nothing for the use thereof and has consistently sought to create a situation which would relieve it of payment of all or substantially all of the sums justly due plaintiff under said agreement; and is continuing to manufacture and sell mills covered by patent 1,779,195 under terms and conditions which do not make adequate provision or any provision whatever for payment to plaintiff for the use of the invention; and while continuing to dissipate the great gains and profits acquired

by it from the use of the invention by the payment of dividends, bonuses and the like, it has set up no reserve to pay the sums to plaintiff which it is justly obligated to pay, such sums aggregating in excess of \$5,000,000 at the present time. Additional amounts will continue to become due thereafter.

27. While defendant, upon being charged by plaintiff of the existence thereof, has admitted to plaintiff that there exists at least one agreement between defendant and a competitor of defendant as set forth in section 18 of the bill of complaint, plaintiff has no copy of such agreement or any [fol. 131] similar agreements which defendant has entered into. Proof of the existence and terms of said agreement or agreements is essential to plaintiff in this cause, and plaintiff therefore needs discovery of such agreement or agreements.

28. Defendant has sold to, constructed and installed for its various customers numerous mills embodying the inventions of said patent 1,779,195 and for the practice of the method therein claimed. Plaintiff is without knowledge as to the number, size, capacity of and tonnage produced by such mills, the complete knowledge of which is essential to plaintiff in this cause. Plaintiff needs and requires discovery of all such mills as to the number thereof, the name of the purchaser or user, the date installed, and the size, capacity, purchase price, and tonnage produced by each of such mills, and the location where the same are installed. It is further essential to plaintiff in this cause that discovery of like information be made as to any or all mills manufactured or produced by any person, corporate or otherwise, with whom plaintiff has made any contract or agreement or understanding having to do with said patent 1,779,195.

Plaintiff is without adequate remedy at law and in need of equitable relief, and therefore prays:

(a) That defendant shall make answer to this bill of complaint, not, however, under oath, which is hereby expressly waived.

(b) That a writ of subpoena may issue directly to defendant, United Engineering & Foundry Company, commanding it on a day certain therein to be named to appear and answer this bill of complaint, and to abide

and perform such order and decree in the premises as to this Court shall seem meet and may be required by the principles of equity and good conscience.

(c) That defendant be enjoined from prosecuting the following suits or from taking any action whatever therein until 10 days after the final determination of the within action:

United Engineering & Foundry Company v. E. W. Bliss Company and The Cold Metal Process Company (D. C. N. D. Ohio) Equity No. 4981.

United Engineering & Foundry Company v. Illinois Steel Company, Continental Roll & Steel Foundry Company and Hubbard Steel Foundry Company (D. C. N. D. Indiana) Equity No. 510.

United Engineering & Foundry Company v. The Cold Metal Process Company (D. C. N. D. Ohio) Equity No. 5059.

*(d) That defendant be enjoined from taking any advantage, either directly or indirectly, of plaintiff's failure to file answers or taking any further steps in any of the suits referred to in paragraph (c) hereof until 10 days after final determination of the within action, the defendant to be ordered to extend the time within which plaintiff herein is required to file answers or take any other steps in any of said proceedings for a period of ten days from the final determination of the within action.

[fol. 133] (e) That defendant be enjoined from initiating or prosecuting any other suit or suits involving or affecting, or intended to involve or affect, said patent 1,779,195 unless and until defendant shall have paid a proper and sufficient amount as determined under said agreement of June 20, 1927 and assured plaintiff herein as to proper compensation under said agreement as to the future.

(f) That defendant be enjoined from in any way attacking, or conspiring with or encouraging others to attack, the validity of said patent 1,779,195.

(g) That this Court finally settle and determine the scope of the said 1927 agreement, and determine or have determined by reference to arbitrators or a master or otherwise the amount due plaintiff to date thereunder, and determine

the basis for payments to be made by defendant to plaintiff in the future under said 1927 agreement.

(h) That defendant be enjoined from further use of the invention or inventions of said patent 1,779,195 until and unless defendant secure, by proper payment, the license contemplated by said 1927 agreement and except upon terms with defendant's customers which will insure adequate protection for plaintiff.

(i) That defendant be enjoined from the payment of dividends and bonuses, and from making any other distribution of assets whatsoever, to employees, stockholders, or others (beyond payments made in the ordinary course of business), until and unless a reserve of \$5,000,000 has been [fol. 134] set aside to meet defendant's obligations to plaintiff under said 1927 agreement.

(j) That defendant be enjoined from granting any sub-licenses, or otherwise disposing of any right or alleged right which it may have in patent 1,779,195, until and unless the amounts which may be determined to be due plaintiff under said 1927 agreement are paid.

(k) That defendant be enjoined from disposing of any assets, including patent rights under agreements with third parties acquired by reason of defendant's rights or alleged rights in said 1927 agreement, until and unless the amounts which may be determined to be due plaintiff under said 1927 agreement are paid.

(l) That a provisional or preliminary injunction be issued according to the prayers of this bill enjoining defendant as herein prayed, pending the final determination of this cause.

(m) That defendant be required to make discovery of the agreement or agreements between defendant and its competitors or others as set forth in section 18 of this bill of complaint, said discovery to consist in full, complete and unequivocal answers to the interrogatories numbers one to twenty, filed herewith, and that in the event the answers to said interrogatories are incomplete, evasive, equivocal, or otherwise fail to make full and complete discovery, the plaintiff be given leave, after application to the Court to be duly made, to examine or cause to be examined *viva voce*, before the Court or a master to be appointed by it, the of-

ficers of defendant or in the alternative that the Court, or [fol. 135] a master to be appointed by it, so examine the officers of defendant to obtain full and unreservedly complete discovery.

(n) That the defendant be required to make discovery of the number, size, capacity of and tonnage produced by all such mills manufactured by it involving the inventions of said patent 1,779,195, and stating further the name of the purchaser or user, the locations at which said mills are installed, the date of installation thereof, and discovery to like extent of all such mills manufactured, installed or used by any person or persons with whom defendant has made any contract or agreement having to do with said patent 1,779,195, or with whom defendant has any understanding or arrangement relative thereto, said discovery to consist in full, complete and unequivocal answers to the interrogatories numbers 21 to 33 both inclusive, filed herewith, and that in the event the answers to said interrogatories are incomplete, evasive, equivocal or otherwise fail to make full and complete discovery, the plaintiff be given leave, after application to the Court to be duly made, to examine or cause to be examined *viva voce*, before the Court or a master to be appointed by it, the officers of defendant, or in the alternative that the Court or a master to be appointed by it shall examine the officers of defendant to obtain full and unreservedly complete discovery.

(o) That such other and further relief may be granted [fol. 136] and decreed to plaintiff as the equity of the case may require and to your Honors may seem meet.

The Cold Metal Process Company. By V. J. Lamb, President.

John J. Heard, John C. Bane, Jr., Reed, Smith, Shaw & McClay, Attorneys and Solicitors for Plaintiff.

Duly sworn to by V. J. Lamb. Jurat omitted in printing.

[fol. 137] IN UNITED STATES DISTRICT COURT

ANSWER EQUITY No. 2991—Filed January 12, 1935

To the Honorable, the Judges of said Court:

The United Engineering & Foundry Company, the defendant, makes answer to the Bill of Complaint filed against it at the above number in Equity, as follows:

1. The averments contained in the first paragraph of the Bill of Complaint are admitted.

2. The averments contained in the second paragraph of the Bill of Complaint are admitted.

3. The averments contained in the third paragraph of the Bill of Complaint are admitted.

4. Answering paragraph four of the Bill of Complaint, defendant admits that on or about the 30th day of June, 1923, Abram P. Steckel filed application in the United States Patent Office Serial No. 648,761; that the said application was assigned to the plaintiff; that a divisional application was filed on or about the 9th day of December, 1929; that the said divisional application was assigned to the plaintiff; that on or about the 21st day of October, 1930, Letters Patent No. 1,779,195 were granted to the plaintiff, as assignee of the said Abram P. Steckel; that defendant, as licensee under the said patent, does not question the validity thereof; and that as to the other averments of this paragraph defendant is advised that they are conclusions of law as to which it is not required to admit or deny.

5. The averments contained in the fifth paragraph of the Bill of Complaint are admitted.

[fol. 138] 6. Defendant admits that on or about the 20th day of June, 1927, plaintiff and defendant entered into a certain agreement, as stated in paragraph 6 of the Bill, and that the copy attached as Exhibit B is correct. Defendant denies that Steckel application Serial No. 648,761 and Biggert and Johnson application Serial No. 103,264 are the only applications owned by the parties to said agreement containing common subject matter, as contemplated by said agreement of June 20th, 1927. It is admitted that Steckel application Serial No. 648,761 and Biggert and Johnson application Serial No. 103,264 were, at the time of said

agreement, the only applications then owned by the parties to said agreement containing common subject matter as contemplated by the said agreement.

7. Defendant admits that plaintiff owns the legal title to Patent No. 1,779,195, but denies that that is the only patent issued to the plaintiff containing any claim or claims to the "common subject matter" referred to in said agreement of June 20th, 1927.

8. The defendant admits that the Cold Metal Process Company (the plaintiff in this proceeding) filed a bill of complaint against the United Engineering & Foundry Company (the defendant in this proceeding) on March 7, 1931, in this Honorable Court, in Equity No. 2506, and that the United Engineering & Foundry Company filed an answer thereto, and after a hearing in that case, this Honorable Court filed its decision therein. Reference is hereby made to the record of the said case at No. 2506, as the same is on file in this Honorable Court, for the contents of the bill of complaint and the findings of this Honorable Court and the effect thereof. The defendant is advised, believes and therefore avers that the statements in the eighth paragraph of the Bill of Complaint as to the contents of the bill of complaint at Equity No. 2506 or of the findings of this Honorable Court therein, or the effect thereof, are matters of law, as to which the defendant is not required to make answer. The defendant, however, in so far as it may be required to answer the same, denies the said averments as stated.

9. The averments contained in the ninth paragraph of the Bill of Complaint are admitted.

10. It is denied that since a time commencing shortly after the decree of this Honorable Court in said cause, Equity No. 2506, the plaintiff has diligently or otherwise sought to fix or determine by agreement with defendant, or to have fixed or determined by arbitration, any amount due to plaintiff from defendant under the agreement of June 20, 1927, or that the defendant has wilfully or maliciously, or without just cause, failed or refused to settle or determine, or in good faith to assist in settling and determining, any amount to which plaintiff is or will be entitled under the said agreement of June 20, 1927.

It is admitted and averred by the defendant that since

October 3, 1933, negotiations between the parties have been carried on to effect a settlement between them, and to fix by agreement the liability of the defendant under the agreement of June 20, 1927. These negotiations are still going on, and so far as this defendant is concerned, have [fol. 140] been carried on in good faith, for the purpose of adjusting all matters in dispute between the plaintiff and the defendant. The defendant denies that the negotiations have been or are wholly unsuccessful, and on the contrary, believes that it is quite possible for the parties to reach an equitable settlement.

It is denied that the plaintiff has been ready or willing at all times or at any time to arbitrate any amount due under the said agreement of June 20, 1927, or that the defendant has failed or refused to cooperate, or continues to fail or refuse to cooperate therein.

On the contrary, the plaintiff has, until the decision in the case in this Honorable Court, in Equity No. 2506, contended that the said agreement of June 20, 1927, was abrogated, and since the decision in the said case in Equity No. 2506, the plaintiff has not been willing to join with the defendant in naming persons to take the place of the three persons named in the said agreement of June 20, 1927, so that the liability of the defendant to the plaintiff might be determined in accordance with the provisions of the said agreement of June 20, 1927.

It is admitted that of the persons named in the said agreement of June 20, 1927, Marshall A. Christy and Charles H. Booth are dead, and that Rollin C. Steese resigned, and advised the defendant on October 3, 1934, that he would not be able to serve as one of the parties named in the agreement of June 20, 1927. It is denied that the plaintiff has sought to arrange with the defendant for the naming of three other arbitrators, to take the place of the three named in the said agreement, or that the defendant has [fol. 141] captiously or unreasonably refused, or refused at all to name unbiased arbitrators, or has insisted upon unreasonable or inequitable conditions for arbitration or qualifications for the arbitrators, or has insisted upon its alleged right to name an arbitrator avowedly partisan to defendant, or has insisted that Patent No. 1,779,195 must be adjudicated in other courts prior to arbitration, or has

otherwise rendered it impossible to arbitrate under the said agreement, or that at any time it has done anything whatsoever for the purpose of circumventing the decision of this Court in said cause in Equity No. 2506, or to postpone indefinitely, or at all, any payment due from the defendant to the plaintiff under the said agreement of June 20, 1927.

On the contrary, the defendant avers that it is the plaintiff who has prevented new parties being named to take the place of those originally named in the agreement of June 20, 1927, and has compelled the defendant to bring the proceedings hereinafter more fully referred to, in the District Court of the United States for the Northern District of Ohio, Eastern Division, at No. 5059 in Equity therein, for the purpose of determining its liability to the plaintiff under the said agreement. Prior to the filing of said suit at No. 5059 in Ohio, the defendant was at all times willing to name parties under the agreement of June 20, 1927, to take the place of those originally named, and it was the plaintiff who refused to join with the defendant in naming such parties.

The defendant, on June 7, 1934, asked the plaintiff to suggest names, so that the parties might agree upon three [fol. 142] persons to take the places of Mr. Christy, Mr. Booth and Mr. Steese. Again, on July 20, 1934, the defendant expressed a willingness to reach an agreement on three new persons acceptable to both parties, but the plaintiff refused to make any attempt whatever to agree upon three new parties in place of those originally named in the said agreement of June 20, 1927.

Further answering the averments of the tenth paragraph of the Bill of Complaint, the defendant avers that when the said agreement of June 20, 1927, was entered into the plaintiff named as its representatives, Rollin C. Steese, and the defendant named as its representative, Charles H. Booth, who had been the manager of the defendant's Youngstown plant, a director, its Vice President, and a stockholder. The parties then agreed upon Marshall A. Christy, an eminent patent attorney of Pittsburgh, as the third member. Christy died on April 7, 1933, and Booth died on November 6, 1930, leaving only Steese, who was the plaintiff's representative. On March 30, 1934, the plain-

tiff suggested that the two vacancies should be filled, and the defendant, on April 9, 1934, suggested a representative of the defendant as a substitute for Booth, and agreed that the third arbitrator should be a patent lawyer, and suggested that the matter be discussed in the near future as to who the patent lawyer should be. On April 19, 1934, the defendant wrote again to the plaintiff, and suggested as the patent lawyer on the board, Mr. Bayard H. Christy, a brother of Marshall A. Christy, deceased. On June 5, 1934, the plaintiff wrote the defendant that the names suggested were not satisfactory, stating that as the plaintiff in [fol. 143] interpreted the contract, both companies should agree as to the acceptability of all three members of the board; and thereupon, on June 7, 1934, the defendant suggested that three new members should be named, and asked the plaintiff to suggest names from which the defendant could select three people acceptable to it. The plaintiff, however, refused to agree to appoint three new arbitrators, but insisted upon only two new ones being appointed, which was not acceptable to the defendant because, assuming that the two new members would be acceptable to both parties, the third member would have been the original appointee of the plaintiff. The defendant called this matter to the plaintiff's attention, and on July 20, 1934, again expressed a willingness to agree on a new board, but this was refused by the plaintiff. The defendant again suggested on September 25, 1934, to the plaintiff, that a new board be created, so that whatever liability the defendant was under to the plaintiff might be determined and paid. No answer was made to this suggestion by the plaintiff, and on October 3, 1934, Mr. Steese resigned, as hereinbefore stated, and immediately thereafter, on the 5th day of October, 1934, the plaintiff filed a proceeding in this Honorable Court under the provisions of the United States Arbitration Act of February 12, 1925, c. 213. The defendant believes that this arbitration proceeding was inadvertantly brought, because, as it is advised by its counsel and believes, and therefore avers, this Honorable Court has no jurisdiction under the terms of the Act. Thereupon the defendant, in order that its liability to the plaintiff might be determined, and [fol. 144] realizing that the plaintiff had repudiated the provision in the agreement of June 20, 1927, to determine

any amount due; by three persons therein named, filed its suit against the plaintiff in the District Court of the United States for the Northern District of Ohio, Eastern Division, in Equity No. 5059, the District where plaintiff herein resides.

11. It is admitted that on the 5th day of October, 1934, the plaintiff filed in this Honorable Court a petition under the provisions of the United States Arbitration Act of February 12, 1925, c. 213, at No. 808 Miscellaneous Docket, and that the Court granted a rule upon the defendant to show cause why the relief prayed for should not be granted, and that the defendant moved to dismiss the petition, and the said motion to dismiss is still pending and undetermined. It is also admitted that on October 15, 1934, which was the day the motion to dismiss was filed, the defendant, by the same counsel, *inter alia*, filed a bill of complaint in the District Court of the United States for the Northern District of Ohio, Eastern Division, at No. 5059 in Equity, and that a copy of said bill of complaint is attached to the Bill of Complaint filed herein, marked Exhibit "C." The defendant is advised by counsel and believes, and therefore avers, that the averments in the eleventh paragraph, as to the contents of the petition, the motion to dismiss, and the bill of complaint in Ohio at No. 5059 in Equity, are conclusions of law, as to which this defendant is not required to make answer, and in so far as it may be so required to answer, it denies the same as stated, and refers to the proceedings in this Honorable Court at No. 808 Miscellaneous [fol. 145] Docket, and to Exhibit "C" attached to the Bill of Complaint, for the contents of the papers referred to.

It is denied that the bill in equity, filed at No. 5059 in Ohio, was drawn for the purpose or with the intention on the part of the defendant, of postponing the fixing of any payment due under the agreement of June 20, 1927, for any period of time; and it is denied that the defendant ever did postpone any fixing of any payment due under the said agreement; and it is denied that the said bill in equity at No. 5059 was drawn with any purpose or intention whatsoever, except as expressed in the said bill of complaint itself.

It is further denied that it is the purpose or intention of the defendant to do anything whatsoever to have said

patent declared invalid in said suits, or to do anything whatsoever improperly or illegally to reduce any obligation of the defendant to the plaintiff. The purpose of the defendant in filing the said bill in equity at No. 5059 was to have its legal rights between the said The Cold Metal Process Company, the plaintiff, and itself, the United Engineering & Foundry Company, the defendant herein, fixed and determined, in accordance with law, so that the liability of the defendant may be ascertained and such liability discharged by the defendant to the plaintiff, and that the defendant never had any improper motive, purpose or intention in connection with the said suit, Equity No. 5059, or in connection with any other litigation begun by it and referred to in the Bill of Complaint. It is the defendant's purpose and intention to do everything in its power to [fol. 146] enforce the Steckel patent, and for this purpose it has begun the suits against infringers, referred to in the Bill of Complaint, and the defendant has repeatedly asked the plaintiff to join with it in these cases against infringers, so that the defendant may get the monopoly to which it is entitled under the said agreement of June 20, 1927.

12. The defendant denies that the plaintiff has not at any time received any moneys or anything of value from the defendant in payment or partial payment under the agreement of June 20, 1927. On the contrary, the principal consideration moving from the defendant to the plaintiff under the said agreement has passed and been paid to the plaintiff by the defendant and the said agreement has been fully performed by the defendant, except the sum of money which was to be agreed upon and paid at the time by the defendant to the plaintiff to equalize the position of the said parties under the said agreement as the same then existed.

Pursuant to the terms of the said agreement of June 20, 1927, and subsequent to the conference provided for therein and under the second paragraph of the said agreement, the plaintiff incorporated in its application for a patent a large number of claims from the application of the United Engineering & Foundry Company and which were not, at the time of the signing of said agreement, presented in Cold Metal's applications, and claims of Patent No. 1,779,195, as granted to the plaintiff, are claims of a broader and dif-

ferent scope from those theretofore presented in Cold Metal's applications and are claims taken from the application [fol. 147] of the defendant, and defendant avers that pursuant to the terms of the said agreement of June 20, 1927, and by way of carrying out its obligation thereunder, defendant co-operated with plaintiff in the plan suggested by the common counsel then representing plaintiff and defendant, to the end that plaintiff secured Patent No. 1,779,195 relating substantially entirely to subject matter which at the date of the said agreement was claimed in United's application and not claimed in Cold Metal's application, and defendant avers that it was only through and by reason of United's active co-operation and assistance in carrying out the said plan that Cold Metal was enabled to obtain Patent No. 1,779,195.

13. It is denied that the defendant has refused to accept or abide by the decision of this Court in said case, Equity No. 2506, either as to the validity or scope of said Patent No. 1,779,195 or otherwise.

On the contrary, the defendant since March 5, 1934, when the Supreme Court of the United States denied the petition for a writ of certiorari, has wholly accepted and abided by the said decision and, as the exclusive licensee of the plaintiff under the said agreement of June 20, 1927, has attempted and is attempting to enforce the said patent and assert the validity thereof in suits against infringers under the said patent. It is denied that the defendant has failed or refused or continues to fail or refuse to determine or take any steps toward determining any of its obligations under said agreement of June 20, 1927, until the [fol. 148] patent suits referred to in the thirteenth paragraph of the Bill of Complaint have been finally decided, and it is denied that the Bill of Complaint, Equity No. 5059, in Ohio, or clause 14 thereof shows any such failure or refusal.

On the contrary, the defendant is desirous of having determined its obligation under the said agreement and for that purpose brought the said proceeding, Equity No. 5059, and the defendant refers to the Bill of Complaint at Equity No. 5059, as the same appears as Exhibit "C" attached to the said Bill of Complaint in this case, for the contents thereof and for the relief therein asked for.

14. The defendant denies that it ever insisted upon the naming of a partisan arbitrator and refers to the tenth paragraph of this answer for its actions with respect to the naming of arbitrators under the agreement of June 20, 1927.

The defendant denies that its Motion to dismiss the application filed at 808 Miscellaneous Docket or the filing by the defendant of the Bill of Complaint at Equity No. 5059 were or are part of any scheme whatsoever either calculated or designed to delay or postpone indefinitely or for any length of time the determination of any of defendant's obligations under the said agreement of June 20, 1927, or that the said Motion to dismiss the said application, No. 808 Miscellaneous Docket, was for any other purpose than to assert the defendant's right to have the said application dismissed, for the reason that this Court has no jurisdiction of such application under the United States Arbitration Act, or that the said Bill of Complaint at Equity No. 5059 was filed for any other reason than to assert the United Engineering & Foundry Company's rights in the premises, as set forth in said bill of complaint at said Equity No. 5059, and it is denied that there is any scheme whatsoever to delay or postpone the determination of defendant's obligations to the plaintiff, or that the defendant has at any time ever done anything to bring about, by fraudulent or collusive means, or by any other means, holdings in other Federal Courts of the invalidity of the said Patent No. 1,779,195.

On the contrary, at all times since the denial of the Writ of Certiorari by the Supreme Court of the United States, the defendant has asserted the validity of the said patent and will continue to do so and will, as exclusive licensee under the same, in all lawful ways assert the validity of the said patent, so that the defendant may be protected in its said license and obtain the monopoly which by law, as such exclusive licensee, it is entitled to have.

15. It is denied that it is to the defendant's interest to have the said Patent No. 1,779,195 declared invalid. On the contrary, it is to the defendant's interest to have the validity of the said Patent No. 1,779,195 upheld, so that its exclusive license thereunder may be enforced and defendant

be put in possession of the monopoly to which it is entitled under the said agreement of June 20th, 1927.

It is denied that the plaintiff has built up any extensive system of licensing under its said patent or that, pursuant to any license agreements thereunder, plaintiff's licensees [fol. 150] have paid or continue to pay large royalties, based upon the tonnage of steel or other metal rolled on the licensed rolling mills, and it is denied that the same is material in this case, and it is denied that the said averments with respect thereto have any relevancy whatsoever to the controversy before this Honorable Court. Defendant does not deny that the plaintiff may have a system of licensing under patents other than said Patent No. 1,779,195 or that under such other patents plaintiff may have licensees who pay royalties based upon the tonnage of steel.

It is admitted that the defendant has built a number of rolling mills, including cold mills of the reversing type, under its right so to do under provisions of the agreement of June 20, 1927, and it admitted that the plaintiff has not sold its rolling mills on a royalty basis. The defendant does not know whether purchasers of certain mills built by the defendant are paying royalties to the American Rolling Mill Company. The defendant denies that the fact whether they do or do not has any bearing on the controversy now before this Court. Nor does the defendant know whether or not, as to such royalties, the plaintiff has received any part thereof. It is denied that whether the plaintiff does or does not has any relevancy to the present controversy. It is denied that the plaintiff is entitled to have a return under the said agreement of June 20, 1927, based upon the tonnage of steel or other matter produced on mills built by the defendant. On the contrary, the said agreement of June 20, 1927, provided for the payment of a sum of money to be determined upon as provided in the said agreement [fol. 151] and did not contemplate the payment of any royalties based upon any tonnage.

It is denied that the defendant has made any ill-advised guarantees in connection with the sale of any of its rolling mills. The defendant has never sold any of its mills on a royalty basis or sought to collect tonnage royalties for the use thereof, nor would it collect tonnage royalties even if it could do so without making any concessions, nor has it

ever discussed making any concessions with any of its customers, so as to collect tonnage royalty, nor is it seeking in any way whatsoever to have said Patent No. 1,779,195 held invalid.

16. Defendant denies that any steel manufacturers or any customers of the defendant have threatened not to deal with the defendant, or have threatened to deal with it in a more limited degree in the purchase of rolling mills or rolling mill equipment, or mill rolls, in the event defendant attempts to collect any tonnage royalties from such steel manufacturers; and denies that the defendant for this or any other reason is desirous of having Patent No. 1,779,195 held invalid. It is denied that any tonnage royalties whatsoever are rightfully due the plaintiff, or that any representative or other steel manufacturer has acquiesced in the payment of any tonnage royalty to the plaintiff under the said Patent No. 1,779,195, or that any customers of the defendant are improperly seeking to avoid payment of any such tonnage royalties. The defendant avers that it has never sold any rolling mills under the exclusive license given it under the agreement of June 20, 1927, upon any [fol. 152] royalty basis, nor is it required to do so, nor would it, in the opinion of the defendant, be a proper method of disposing of rolling mills made by it under the said exclusive license. The defendant further sets forth that the plaintiff is not entitled to any tonnage royalties from any customers of the defendant, either directly or indirectly through the defendant, and the defendant sets forth that the agreement of June 20, 1927, did not contemplate any tonnage royalties, but contemplated the payment of a sum of money to be fixed in the manner provided for therein, without reference to any tonnage.

17. The defendant denies that it has refused to pay any moneys or anything of value to the plaintiff under the said agreement of June 20, 1927. On the contrary, as hereinbefore more fully set forth, the defendant has substantially performed the said agreement of June 20, 1927, and fully performed it in all particulars except the payment of the said sum of money to be ascertained in accordance with the terms of the agreement. The defendant denies that the said agreement contemplated the payment of any tonnage royalties whatsoever, but on the contrary, contem-

plated the payment of a sum of money to be agreed upon or fixed by the method therein provided; and under the said agreement of June 20, 1927, the defendant now has and at all times since the signing thereof has had an exclusive, equitable license under which it is legally entitled to make, use, and sell, upon any terms which it may in its best judgment, and for its own use and benefit, determine, [fol. 153] and that it has at all times been ready, willing and able, and now is ready, willing and able to meet its obligations under the said agreement of June 20, 1927, or otherwise, to the plaintiff, in full, immediately upon the same being legally determined, and for the purpose of determining the same, defendant has in good faith instituted the said proceeding in Ohio at No. 5059 in Equity.

The defendant denies that it has any rights under the said agreement of June 20, 1927, or any other agreement referred to in paragraph seventeen of the bill of complaint, under which it is collecting or has collected any tonnage royalties whatsoever.

It is admitted that the defendant entered into a certain agreement, dated December 28, 1927, a copy of which, marked Exhibit "D", is attached to the Bill of Complaint, and that it entered into a supplemental agreement, dated May 4, 1928, a copy of which is attached to the Bill of Complaint, marked Exhibit "E", and that it entered into a certain agreement dated June 23, 1928, a copy of which is attached to the Bill of Complaint, marked Exhibit "F", and that it entered into an agreement dated June 13, 1929, a copy of which is attached to the Bill of Complaint, marked Exhibit "G". Reference is made to the said exhibits attached to the Bill of Complaint for the terms of said agreements, and the legal effect thereof, and the defendant is advised by counsel, and believes, and therefore avers, that any statements contained in the Bill of Complaint with reference to the contents thereof are conclusions of law [fol. 154] which this defendant need not answer, but to the extent that it may be required to make answer, the defendant denies the same.

18. Defendant denies that its attitude toward Patent No. 1779195 is or always has been hostile. On the contrary, its attitude toward Patent No. 1779195 is that the same is a valid patent, and it is doing everything in its power to en-

force the same as exclusive licensee thereunder, against certain infringers thereof. It is denied that prior to the issuance of said patent, defendant attempted to force a new or more favorable contract with plaintiff to take the place of the said agreement of June 20, 1927, or that the defendant laid down any ultimatum that if any of its demands were not met by the plaintiff, the defendant would undertake to block plaintiff in the Patent Office, or, upon plaintiff's refusal to modify the said 1927 agreement, in terms more favorable to defendant, defendant attempted to prevent the issuance of Patent No. 1779195. Defendant denies that the same, even if true, would be material to any issue in the present cause. Defendant admits that there were discussions with respect to a change of the said agreement of June 20, 1927, and that an interference proceeding brought by the plaintiff against the defendant went by default pursuant to and in carrying out the plan referred to in the said agreement of June 20, 1927, and thereafter the defendant attempted to reopen the same, without success, but it is denied that the said facts have any relevancy at the present time to the present issue. It is denied that after the issuance of said patent, defendant entered upon any plan of action with reference to the said patent. It is admitted that the defendant took the position that the said Patent No. 1779195 was invalid, and held this position until the termination of the litigation begun by the plaintiff in this Honorable Court at Equity No. 2506, since which time it has at all times upheld the validity of the patent, and will continue to do so, and assert the same and its rights thereunder as exclusive licensee, so that it may obtain and enjoy its legal monopoly under the said patent.

It is denied that the defendant entered into any agreement or agreements with any competitor or other person, containing the provisions as set forth by the plaintiff in the eighteenth paragraph of the Bill of Complaint. It is admitted that prior to the termination of the litigation begun by the plaintiff against the defendant in this Honorable Court at Equity No. 2506, defendant entered into an agreement with the Mesta Machine Company, which is a competitor of the defendant, and if the said agreement so entered into between the defendant and the said Mesta Machine Company is the agreement referred to by the plain-

tiff in the eighteenth paragraph of the Bill of Complaint, the defendant will produce the same upon any trial of the within cause, and exhibit the said agreement to this court and to the plaintiff and its counsel at the trial of this cause, if this Court should be of the opinion that the same has any relevancy whatsoever to any of the issues now before this Honorable Court. This defendant denies that it has any other contract whatsoever, answering in any way the description of the alleged agreement referred to by the plaintiff in the eighteenth paragraph of the Bill of Complaint.

[fol. 156] The defendant does not know whether or not the existence of the agreement hereinbefore referred to, and entered into between the defendant and the Mesta Machine Company, was known to the plaintiff or any of its officers, agents or representatives until after the decision of this Court in said cause at Equity No. 2506, and asks proof thereof, if the same be material.

It is admitted that in said cause, Equity No. 2506, the defendant sought by every legal means to have said patent No. 1779195 declared invalid, and that it took the position in the Circuit Court of Appeals for the Third Circuit and in the Supreme Court of the United States that the patent was invalid and that the validity thereof had not been determined by this Court, and the defendant sets forth that it had the right so to maintain its position during the pendency of the said proceedings instituted by the plaintiff at Equity No. 2506. It is denied that the defendant still asserts that the patent is invalid, or has since the termination of the said proceedings, asserted that the said patent is invalid, or that it has not been adjudicated valid, or that the defendant continues, either in its attitude or general conduct, hostile thereto, or that it ever has been since the termination of the said proceedings above referred to, hostile to the said patent.

19. It is admitted that on the 9th day of July, 1934, the defendant filed a bill in Equity in the United States District Court for the Northern District of Ohio, Eastern Division, at Equity No. 4981, joining E. W. Bliss Company, a Delaware corporation, and this plaintiff as parties defendant, and that a copy of said Bill of Complaint at No. 4981 is attached to the Bill of Complaint in

this cause, marked Exhibit "H". It is denied that the filing of the said bill of complaint at No. 4981 was "despite" the filing by plaintiff of the suit referred to and "exemplified" by Exhibit "K" attached to the Bill of Complaint in this cause.

It is admitted that the defendant, on June 5, 1934, notified the plaintiff that it had decided, as exclusive licensee under the agreement between the parties of June 20, 1927, to begin suit for infringement against E. W. Bliss Company under Patent No. 1779195, and asked the plaintiff to join with the defendant as co-plaintiff in that proposed suit, and the defendant further stated that it was anxious to enter the suit at once to establish the validity of the patent as soon as possible. And again, on June 15, 1934, the defendant asked the plaintiff for an answer to its request, stating that the defendant would feel free to act as its counsel might advise if a reply was not received by the defendant by June 25, 1934. The plaintiff thereupon wrote the defendant, on June 23, 1934, asking for certain information and stating that the plaintiff doubted whether the defendant had any right to bring the suit, and stating that the plaintiff would not consent to the patent being litigated except upon the plaintiff's own terms, and that if the defendant undertook to do so on any other basis, the plaintiff would take steps to protect its interests, including, if it deemed it advisable, a proceeding to enjoin the prosecution of the suit on the ground that such suit would be collusive and not brought in good faith. The defendant there-[fol. 158] upon, on June 26, 1934, replied to the plaintiff, giving it certain information, and pointing out that the plaintiff was fully informed as to the construction and operation of the infringing mills, and enclosing a draft of the proposed bill of complaint, and offering to the plaintiff every opportunity to introduce at its own expense any evidence which it might desire, and stating that the defendant would cooperate with the plaintiff in every way possible to establish as speedily as possible, the validity of the patent. Thereupon, the plaintiff wrote the defendant on June 27, 1934, suggesting delay, to which the defendant replied on June 28, 1934, urging the need of stopping the infringement of the patent, and stating that unless the defendant received the plaintiff's consent prior to July 6, 1934, the de-

defendant would feel free to file a bill of complaint in the form submitted to the plaintiff. The plaintiff thereupon, on July 6, 1934, wrote to the defendant, stating that the plaintiff had decided to bring suit immediately in the District Court of the United States for the District of New Jersey, against the American Sheet & Tin Plate Company and the United States Steel Corporation, and expressing a hostile attitude toward the defendant. The plaintiff also asked the defendant whether it was willing to cooperate and be joined with the plaintiff as a co-plaintiff, should the plaintiff deem that the defendant were "properly such", in a suit for an infringement of the patent against any customer or customers of E. W. Bliss Company, and also asking the defendant for a reply on or before July 13, 1934, and requesting it to postpone the filing of any suit for a reasonable time subsequent to the defendant's reply. On [fol. 159] July 7, 1934, and without waiting for a reply from the defendant, and without waiting until July 13, 1934, although it had requested the defendant not to do anything before that date, the plaintiff filed suit in the District Court of the United States for the District of New Jersey, against the American Sheet & Tin Plate Company and United States Steel Corporation (a copy of the bill of complaint in said suit being attached to the Bill of Complaint herein, marked Exhibit "K"), on the said patent No. 1779195, without joining the defendant; whereupon, the defendant, conceiving that the action of the plaintiff constituted a refusal to join with it in its proposed suit against E. W. Bliss Company, entered such suit, joining the Cold Metal Process Company, the plaintiff herein, as a defendant.

All of the matters averred in the nineteenth paragraph of the Bill of Complaint with relation to the action of the parties with respect to the bringing of the said suit in Ohio at Equity No. 4981, against E. W. Bliss Company and the plaintiff as a co-defendant, are contained only in correspondence between the parties, and the defendant calls upon the plaintiff to produce the said correspondence, and denies the averments of the plaintiff contained in the nineteenth paragraph as stated therein, with respect to the contents of such correspondence.

It is denied that said Equity No. 4981 is fraudulent or is collusive, or not in good faith, or that the defendant and

E. W. Bliss Company have been or continue to be on the most friendly terms, or on any friendly terms, or that there is any improper relationship whatsoever between the [fol. 160] defendant and the said E. W. Bliss Company. It is denied that E. W. Bliss Company or its attorneys actively or otherwise aided defendant during the said litigation on Patent No. 1779195 in this Court at Equity No. 2506, or supplied the defendant for use therein with information intended to be useful in attacking said patent No. 1779195, or with any information, or with any information collected by the said attorneys for the said E. W. Bliss Company, relating to the alleged prior uses at the plant of the American Tube & Stamping Company of Bridgeport, Connecticut, or elsewhere. It is denied that the said E. W. Bliss Company supplied the defendant with the services of its then chief engineer, Lloyd Jones, to aid in the defense of said cause, Equity No. 2506, or caused or permitted him to testify on behalf of the defendant therein. It is admitted that the defendant called Lloyd Jones as a witness, but not through any arrangement or understanding whatsoever with the E. W. Bliss Company; and defendant avers that none of its information relating to the alleged prior uses at the American Tube & Stamping Company or elsewhere, was received from E. W. Bliss Company, but was received from the said American Tube & Stamping Co.

It is admitted that the defendant in bringing the said suit, Equity No. 4981, had as its patent counsel, patent counsel who had previously represented the defendant in said cause, Equity No. 2506, in this Court, and that such counsel had taken the position throughout the litigation at Equity No. 2506, that Patent No. 1779195 was invalid and should not be sustained, and so represented in this Court, in the [fol. 161] Circuit Court of Appeals for the Third Circuit, and in the Supreme Court of the United States, and endeavored in said courts to obtain a holding that said patent No. 1779195 was invalid. It is denied that such counsel has, since the termination of said litigation, openly or notoriously stated their belief that the said patent is invalid, and it is also denied that the belief of said counsel, even if it were as averred, is material to any issue in this cause.

Defendant avers that it sought to meet the wishes of the plaintiff in this particular, although under no legal duty to do so, and retained counsel other than the patent counsel referred to by the plaintiff in the nineteenth paragraph of the Bill of Complaint, to try the said cause, Equity No. 4981. The plaintiff has objected to such other counsel so suggested, and the defendant has requested the plaintiff to suggest counsel that would be satisfactory to it, but as yet the plaintiff has not made any suggestion.

It is admitted that an answer has been filed by the said E. W. Bliss Company at said Equity No. 4981, and that a copy of the answer is attached to the Bill of Complaint herein, marked Exhibit "H-2." It is admitted that neither patent nor other counsel for the defendant has brought any motion or other proceeding to have any material stricken from said answer, and that counsel have not indicated or stated any intention to have any such matter stricken from the said answer. It is denied that a proper conduct of said Equity No. 4981 would require such action on the part of the defendant, and it is averred that the plaintiff here-[fol. 162] in is a party in the said cause, Equity No. 4981, and may assert any rights that it may have in the premises in such cause. Defendant refers to the copy of the said answer of E. W. Bliss Company, Exhibit "H-2," attached to the Bill of Complaint in this cause, for the averments contained therein, and further sets forth that it has been advised by counsel and believes, and therefore avers, that it is not required to make answer to the conclusions of law as to the character of said answer, or whether or not the grounds of defense therein stated are well-founded in law.

It is admitted that the defendant desires to proceed to trial in said cause, Equity No. 4981, as soon as possible, and to obtain a final decision therein at the earliest possible moment, so that the status of the said Patent No. 1779195 may be established and the rights of the defendant as exclusive licensee thereunder may be enforced, and to this end the defendant has sought to have a master appointed to hear the testimony and report to the Court in accordance with what the defendant understands to be the practice in the court wherein Equity No. 4981 is pending.

* 20. It is admitted that on the 3rd day of October, 1934, the defendant filed a bill of complaint in the District Court

of the United States for the Northern District of Indiana, Equity No. 510, in which the plaintiff is joined as a co-plaintiff, and Illinois Steel Company, Continental Roll & Steel Foundry Company, and Hubbard Steel Foundry Company are defendants, and that a copy of the said bill of complaint, marked Exhibit "J," is attached to the Bill of [fol. 163] Complaint in this cause. It is denied that the said suit, Equity No. 510, was "despite" the filing by the plaintiff of another suit referred to in Exhibit "L" to the pending Bill of Complaint. It is admitted that the plaintiff was joined as an unwilling co-plaintiff, but it is denied that such joinder was without the knowledge of the plaintiff. It is denied that the defendant filed the said suit, Equity No. 510, in an unreasonably short time after requesting the plaintiff to join with it as a co-plaintiff, or that such suit was begun without any neglect or refusal on the part of the plaintiff to state its position or to join as a willing party plaintiff.

On the contrary, early in September, 1934, notice was given by the defendant to the plaintiff of the infringing mill being built by the Continental Roll & Steel Foundry Company, and the plaintiff was requested to bring suit against the said Continental Roll & Steel Foundry Company for the protection of the defendant in the place where the infringing mill was being built and is to be installed. Thereupon the plaintiff, without notice to the defendant, and without joining the defendant therein, entered suit against the Continental Roll & Steel Foundry Company in Delaware, and notified the defendant that it would not be necessary for the defendant to bring suit on account of the infringing mill being built by the Continental Roll & Steel Foundry Company. The defendant thereupon, on September 25, 1934, notified the plaintiff that it had determined to enter suit against the Continental Roll & Steel Foundry Company in Indiana, and asked the plaintiff to [fol. 164] join therein as a party plaintiff. No reply was received to the letter, and on October 3, 1934, the said suit, Equity No. 510, was entered in the District Court of the United States for the Northern District of Indiana, and a copy of the bill of complaint therein filed was given the plaintiff.

Patent counsel appearing in said cause, Equity No. 510,

are in part the same as appear in the suit against E. W. Bliss Company, Equity No. 4981, hereinbefore referred to.

It is denied that the said suit, Equity No. 510, is fraudulent or collusive, or not in good faith. On the contrary, defendant avers that it is brought solely for the purposes as stated therein, and to enjoin the infringement of said patent No. 1779195, and to get for the defendant, as exclusive licensee under the said agreement of June 20, 1927, the monopoly to which it is entitled but which it has never as yet enjoyed, by reason of the infringements of said patent by the defendants in said suit, Equity No. 510, and others throughout the United States.

It is admitted that the Illinois Steel Company is a subsidiary of the United States Steel Corporation, but it is denied that it is a licensee of the American Rolling Mill Company under the provisions of Exhibit "F" attached to the Bill of Complaint filed in the pending cause, and it is denied that by reason of the terms of said agreement, Exhibit "F," or by reason of any agreement, the defendant has no right to bring suit against said Illinois Steel Company. It is further denied that the defendant [fol. 165] has at any time, either throughout the life of the patent, No. 1779195, or prior thereto, stated that for business or any other reasons, it could not or would not bring a suit in an attempt to enforce a patent or to enforce particularly this patent, or any other patent, relating to the subject-matter thereof, against any steel company, or specifically against the United States Steel Corporation or any subsidiary thereof. It is admitted that the defendant is and was at all times reluctant to sue any of its customers but at all times the defendant could and was prepared to protect its rights to any extent deemed necessary by it.

It is admitted that the defendant in bringing the said suit, Equity No. 510, had as its patent counsel, patent counsel who had previously represented the defendant in said cause, Equity No. 2506, in this Court, and that such counsel had taken the position throughout the litigation at Equity No. 2506, that Patent No. 1779195 was invalid and should not be sustained, and so represented in this Court, in the Circuit Court of Appeals for the Third Circuit, and in the Supreme Court of United States, and

endeavored in said courts to obtain a holding that said patent No. 1779195 was invalid. It is denied that such counsel has, since the termination of said litigation, openly or notoriously stated their belief that the said patent is invalid, and it is also denied that the belief of said counsel, even if it were as averred, is material to any issue in this cause.

Defendant avers that it sought to meet the wishes of the plaintiff in this particular, although under no legal duty to do so, and retained counsel other than the [fol 166] patent counsel referred to by the plaintiff in the twentieth paragraph of the Bill of Complaint, to try the said cause, Equity No. 510. The plaintiff has objected to such other counsel so suggested, and the defendant has requested the plaintiff to suggest counsel that would be satisfactory to it, but as yet the plaintiff has not made any suggestion.

It is admitted that answers have been filed by the Illinois Steel Company and by Continental Roll & Steel Foundry Company and Hubbard Steel Foundry Company, and that copies of the said answers are attached to the Bill of Complaint filed herein, marked Exhibits "J-2" and "J-3". It is admitted that neither patent nor other counsel for the defendant has brought any motion or other proceeding to have any material stricken from said answers and that counsel have not indicated or stated any intention to have any such matter stricken from the said answers. It is denied that a proper conduct of said Equity No. 510 would require such action on the part of the defendant, and it is averred that the plaintiff herein is a party in the said cause, Equity No. 510, and may assert any rights that it may have in the premises in such cause. Defendant refers to the copies of said answers of Illinois Steel Company and of Continental Roll & Steel Foundry Company and Hubbard Steel Foundry Company, Exhibits "J-2" and "J-3" attached to the Bill of Complaint in this cause, for the averments contained therein, and further sets forth that it has been advised by counsel and believes, and therefore avers that it is not required to make answer to the conclusions of law as to the character [fol. 167] of said answers, or whether or not the grounds of defense therein stated are well-founded in law.

It is admitted that the defendant desires to proceed to trial in said cause, Equity No. 510, as soon as possible, and to obtain a final decision therein at the earliest possible moment, so that the status of the said Patent No. 1779195 may be established and the rights of the defendant as exclusive licensee thereunder may be enforced.

21. It is denied that the plaintiff has taken or is taking any steps reasonably necessary or proper to maintain said patent No. 1779195 against infringers, or to that end has brought or is actively prosecuting, or intends to continue actively to prosecute suits against alleged infringers. On the contrary, the plaintiff has repeatedly refused to maintain the said patent No. 1779195 against infringers on behalf and in the interest of the defendant, although many times requested so to do, and the plaintiff has, although requested by the defendant so to do, refused to prosecute suits against alleged infringers. Not only has the plaintiff refused to take any steps necessary or proper to protect the rights of this defendant in the said patent No. 1779195 against infringers, but it has refused to join the defendant in such suits as it has brought, and has denied and is continuing to deny that the defendant has any such right or interest under this patent as entitles it to bring any suit or to have any suit brought for it and for its benefit by the plaintiff.

It is admitted that on July 7, 1934, the plaintiff brought suit against the United States Steel Corporation and the [fol. 168] American Sheet & Tin Plate Company in the District Court of the United States for the District of New Jersey, in Equity No. 4906, charging infringement of Patent No. 1779195, and that Exhibit "K" is a copy of the Bill of Complaint filed therein, and that certain of the mills complained of were built by E. W. Bliss Company and one of the mills was a mill complained of in the suit filed by the defendant at No. 4981, in Ohio. The defendant has no knowledge whether or not E. W. Bliss Company is actively or openly defending said suit at No. 4906, and demands proof thereof, if it be material. It is admitted that on September 21, 1934, the plaintiff brought suit against Continental Roll & Steel Foundry Company in the United States District Court for the District of Delaware, at Equity No. 1078, charging infringement of the

patent No. 1779195, and that Exhibit "L" is a copy of the bill of complaint therein filed, and that the mill complained of is the same mill complained of in the defendant's suit in Indiana at Equity No. 510. It is admitted that said suit, Equity No. 4906, was filed prior to the suit brought by defendant against the E. W. Bliss Company at Equity No. 4981 in Ohio, and this defendant refers to Paragraph 19 of this Answer for the circumstances connected with the filing of the two said suits; and avers that the plaintiff, in filing its suit at No. 1078 in Delaware, refused to make this defendant a party thereto, or to recognize the right of the defendant in the said suit, as the exclusive licensee under the said patent No. 1779195. It is admitted that the suit filed by the plaintiff against Continental Roll & Steel Foundry Company, Equity No. 1078, was brought prior to the filing of the suit by this defendant against Illinois Steel Company, Continental Roll & Steel Foundry Company and Hubbard Steel Foundry Company at Equity No. 510 in Indiana, and defendant refers to Paragraph 20 hereof for the circumstances in connection with the bringing of the two said suits.

It is admitted that the defendant had knowledge of the bringing of both of said suits at the time it brought its suits against E. W. Bliss Company, at No. 4981, and against Illinois Steel Company, Continental Roll & Steel Foundry Company and Hubbard Steel Foundry Company, at Equity No. 510, but it is denied that these suits were in any sense corresponding suits, or that the said suits brought by the defendant are unnecessary or are fraudulent, or are collusive, or are not in good faith, or are brought for the purpose of having the patent held invalid. On the contrary, the said suits were brought for the single and sole purpose of protecting the rights of the defendant as exclusive licensee under the said agreement of June 20, 1927, against infringers of the said patent No. 1779195, and for the single and sole purpose stated in the bills of complaint filed in said suits, and that the suits filed by the plaintiff and referred to in the twenty-first paragraph of the Bill of Complaint are suits brought by the plaintiff denying the right of the defendant as exclusive licensee under the said agreement, and were brought for the purpose of interfering with the defendant in the pros-

ecution of its suits at Equity No. 4981 in Ohio, and Equity No. 510 in Indiana, as hereinbefore set forth.

[fol. 170] 22. It is denied that the said bills of complaint filed by the defendant at No. 4981 and Equity No. 510, and Equity No. 5059, are part of any general plan, except to protect the rights of the defendant as exclusive licensee under the said agreement of June 20, 1927, and it is denied that the defendant has any plan, thought or intention to circumvent any holdings of this Court, either in said cause, Equity No. 2506 or otherwise, or to bring about through fraudulent or collusive or other means, or by improper or insufficient prosecution, any holding or holdings that Patent No. 1779195 is invalid, or postponing any determination of any amount due plaintiff under the said agreement of June 20, 1927, or until after such holding or holdings referred to, or otherwise; and it is denied that any of the defendant's acts are pursuant to any improper or illegal plan, or that any of the defendant's acts are a fraud upon this or any other court, or on the holdings of this court in said cause at Equity No. 2506, or that the bills of complaint filed by the defendant are frauds upon the respective courts in which they were filed.

23. It is denied that the defendant threatens to bring or will bring any unwarranted or fraudulent action in any court at any place in the United States, or that plaintiff has been put or will be put to any trouble, inconvenience or expense in connection with any improper, unwarranted or fraudulent action brought anywhere by this defendant, or that the plaintiff will be required to appear anywhere in any improper suit which the defendant has brought to protect its interests therein.

[fol. 171] The defendant avers that as exclusive licensee under the said agreement of June 20, 1927, it has a right to protect its rights under the said agreement, and to bring suits against infringers, and that such action does not create any multiplicity of suits or hardship upon the plaintiff, or put the plaintiff to any expense, and that such actions, as and when brought by the defendant, are in aid of or for the benefit of the said patent No. 1779195, and not in derogation of any of the plaintiff's rights therein, and any suits brought by the defendant as exclusive licensee under said agreement of June 20, 1927, are and will be brought to

enforce said patent, so that the defendant may secure the monopoly to which it is entitled as such exclusive licensee.

24. Answering the averments of the twenty-fourth paragraph of the Bill of Complaint, the defendant admits that no formal paper has ever been executed, vesting in the defendant the exclusive license provided for in the agreement of June 20, 1927, other than the said agreement of June 20, 1927 itself, but the defendant avers that at all times from a date on or about June 20, 1927, the full and exclusive equitable license under the said agreement has been vested in the defendant, and the defendant has so performed its obligations under the said agreement as to vest in it the exclusive license in accordance with the terms of the said agreement. For the findings of this Honorable Court at Equity No. 2506, reference is made to the said proceeding in this Honorable Court, and any averments with respect thereto are denied as stated. It is denied that the defendant does not have or has never had any such title or [fol. 172] interest in said patent or such a license right thereunder, as to enable it to bring or maintain any infringement suit based on the said Patent No. 1,779,195. On the contrary, the defendant is the exclusive licensee under the said agreement of June 20, 1927, and under the said Patent No. 1,779,195, as provided for in the said agreement, and as such is entitled to defend its rights and bring and maintain any infringement suit based on the said patent, within the scope of the exclusive license therein granted it.

It is denied that since the making of said agreement, the defendant has done anything to prevent the fixing of the payments to be made under the said agreement, or to postpone the time when the same should be paid. On the contrary, the defendant has at all times tried, and is now trying to enforce the agreement of June 20, 1927, with respect to the said payment.

It is denied that in bringing the said suit, Equity No. 5059, in the District Court of the United States for the Northern District of Ohio, Eastern Division, the defendant is attempting, or that it ever attempted, to re-litigate any actions already litigated in this Court, or to postpone the time for fixing or making payment under said contract of June 20, 1927, beyond the time when the same should be fixed or made.

It is denied that the defendant is not at this time entitled to a license, but on the contrary, the defendant at this time has the exclusive license under the terms of the said agreement of June 20, 1927.

It is denied that the defendant, by bringing any infringement [fol. 173] suits, has put or will put the plaintiff to any trouble or inconvenience or expense, or cause the plaintiff to appear in a multiplicity of suits for the preservation of any interests of the plaintiff. On the contrary, the defendant has a right to bring infringement suits as exclusive licensee of the plaintiff, and such suits as it may bring to protect its rights as such exclusive licensee do not put the plaintiff to any trouble, inconvenience or expense, or cause it to appear in any of the said suits, nor does it have any interests to be preserved therein.

Other averments contained in the twenty-fourth paragraph of the Bill of Complaint are, as the defendant is advised by counsel, and believes, and therefore avers, conclusions of law, as to which this defendant is not required to make answer.

25. It is admitted that the plaintiff and the defendant have been unable, and continue unable to agree upon the scope of the said agreement of June 20, 1927, and that the defendant is seeking to have determined the scope of the said agreement in Equity No. 5059, brought by it against the plaintiff in the Northern District of Ohio. It is denied that the defendant is under any duty to pay any royalties to the plaintiff for the use of the inventions, or that the said agreement of June 20, 1927, contemplated the payment of any royalties for the use of the said invention. The defendant also denies that the defendant is disputing, or expects to continue to dispute, the scope of the said agreement for the purpose of preventing or delaying any final determination of the defendant's liability to the plaintiff thereunder. On the contrary, the said proceedings at [fol. 174] Equity No. 5059, brought by this defendant against the plaintiff in Ohio, is for the express purpose of determining the scope of the said agreement, and to determine the amount to be paid by the defendant to the plaintiff thereunder.

26. It is denied that the defendant has paid the plaintiff nothing for the use of the said invention. On the contrary,

the principal consideration passing from the defendant to the plaintiff under the said agreement has long since been paid and performed by the defendant. It is denied that the defendant has sought to create a situation which would relieve it of payment of any sum justly due the plaintiff under the said agreement. On the contrary, by its suit at Equity No. 5059 in Ohio, it is seeking to have determined what amount it owes the plaintiff under the said agreement, so that it may pay the same and discharge its liability thereunder.

It is admitted that the defendant is continuing to manufacture and sell mills covered by Patent No. 1,779,195, without making any provision in any contract of sale covering such mills, for payment to plaintiff for the use of the invention, and the defendant avers that it is not required to sell the mills covered by Patent No. 1,779,195 upon terms or conditions which contain any provision for any payment to the plaintiff. On the contrary, the defendant is entitled, under said agreement of June 20, 1927, and as exclusive licensee thereunder, to manufacture and sell mills upon any terms or conditions which it may deem to its best interests, and the said agreement of June 20, 1927, did not require the payment of any royalties to the plaintiff.

[fol. 175] The defendant denies that it has dissipated any gains or profits derived by the defendant from the use of the said invention; by the payment of dividends or bonuses or the like. On the contrary, it is averred that it has not made any great gains or profits from the use of the said invention, but has at all times had to sell its mills, covered by Patent No. 1,779,195, in the face of bitter competition, and without any protection whatsoever from the plaintiff or elsewhere, as exclusive licensee under the said agreement of June 20, 1927. The defendant further avers that by reason of the failure of the plaintiff to protect it, the defendant, as exclusive licensee under the said agreement, and to enforce for the benefit of the defendant the said Patent No. 1,779,195 against infringers thereof, the defendant has been denied the monopoly to which it was and is entitled under the said agreement of June 20, 1927, and has been denied and prevented from making the gains and profits, as such exclusive licensee, which it would otherwise make:

The defendant further avers that the defendant is amply able financially to make any payment that may at any time hereafter be determined as due the plaintiff from the defendant under the terms of said agreement of June 20, 1927. It admits that it has set up no reserve to pay any sum to the plaintiff, but it denies that any such sum payable at any time hereafter from the defendant to the plaintiff would, under any circumstances, exceed the sum of \$50,000.00, and it is denied that any additional amounts will become due hereafter; and defendant avers that on the contrary, [fol. 176] the agreement of June 20, 1927, contemplated the payment of a sum of money to be fixed under the terms of said agreement, which, when paid, would be a final payment.

27. Answering the averments contained in the twenty-seventh paragraph of the Bill of Complaint, the defendant refers to the eighteenth paragraph of this Answer, and renews its offer to submit to this Court for determination of its relevancy to any issue in this cause, the said agreement existing between it and the Mesta Machine Company.

28. Answering the averments contained in the twenty-eighth paragraph of the Bill of Complaint, the defendant denies that knowledge of the number, size, capacity or tonnage produced by any mills sold by the defendant, embodying the inventions of the said Patent No. 1,779,195, is essential to the plaintiff in this cause, or that the same is material to any issue set forth in the Bill of Complaint filed herein, or that the plaintiff needs or is entitled to any discovery with respect to the same, or that the plaintiff needs or is entitled to any discovery with respect to any mills manufactured or produced by any person with whom defendant has made any contract or agreement relating to the said Patent No. 1,779,195, or that the defendant is in position to give any such information or make any such discovery to the plaintiff.

Further answering the averments of the twenty-eighth paragraph of the Bill of Complaint, the defendant sets forth that the plaintiff needs no discovery or information or aid of this Court, for the reason, as hereinbefore set forth, that the defendant has, prior to the within Bill of Complaint, brought a proceeding in the District Court of the [fol. 177] United States for the Northern District of Ohio,

Eastern Division, at Equity No. 5059, in which the entire subject-matter of the relationship of the parties hereto under the said agreement of June 20, 1927, is before that Court and subject to its jurisdiction, and in which the defendant is required under the Equity Rules of the United States Supreme Court to make any defenses or counter-claims which it may have, arising out of the said agreement of June 20, 1927.

29. Further answering the Bill of Complaint filed in this case, the defendant sets forth that there is pending between it and the plaintiff in the District Court of the United States for the Northern District of Ohio, Eastern Division, at Equity No. 5059, an equitable proceeding in which the relationship and rights of the parties hereto, arising under the agreement of June 20, 1927, and the said Patent No. 1,779,195, are before the Court, and that any defenses, counter-claims or rights which the plaintiff may conceive that it has against the defendant with relation thereto must be brought by the plaintiff (the defendant in said Equity No. 5059).

Further answering the Bill of Complaint, the defendant sets forth that the plaintiff has in the said proceeding in Ohio, at Equity No. 5059, submitted to the jurisdiction of that court and answered therein, and set forth all of its defenses which it has to the bill of complaint filed therein, including the charges of fraud and collusion now brought before this Honorable Court, and further, that the said [fol. 178] plaintiff herein is required, under Equity Rule 30 of the Supreme Court of the United States, to raise in the said proceeding at Equity No. 5059, any counter claim arising out of the transaction which is the subject-matter of the said suit, and that the plaintiff has, in said proceeding at Equity No. 5059, the right, opportunity and duty to raise its defenses and counter claims therein.

30. Further answering the Bill of Complaint, the defendant sets forth that the proceeding brought by it as hereinbefore set forth, in the District Court of the United States for the Northern District of Ohio, Eastern Division, at Equity No. 4981, against the E. W. Bliss Company and the Cold Metal Process Company as defendants, was brought in good faith by the defendant herein, for the purpose of protecting its interests as exclusive licensee in and under

said agreement of June 20, 1927, against the said E. W. Bliss Company as an infringer of the said Patent No. 1,779,195, and that the said Cold Metal Process Company was joined as a defendant as the owner of the legal title in and to the said patent, and that the said defendant therein (the plaintiff herein) has submitted to the jurisdiction of that court, and filed its answer therein, and the rights of the parties under the said bill of complaint are before that court for determination.

31. Further answering the Bill of Complaint, the defendant sets forth that the proceeding brought by it as hereinbefore set forth, in the District Court of the United States for the Northern District of Indiana, at Equity No. [fol. 179] 510, against the Illinois Steel Company, Continental Roll & Steel Foundry Company and Hubbard Steel Foundry Company as defendants, was brought in good faith by the defendant herein, for the purpose of protecting its interest as exclusive licensee in and under the said agreement of June 20, 1927, against the said Illinois Steel Company, Continental Roll & Steel Foundry Company and Hubbard Steel Foundry Company as infringers of said Patent No. 1,779,195, and that the said Cold Metal Process Company was joined as a party plaintiff, as the owner of the legal title in and to the said patent, in accordance with the law governing such cases. The said plaintiff herein, by appearing in the said Court in Indiana, may, and in law should, assert any and all rights which it may have in the premises.

The defendant further avers that in the said suit at Equity No. 510 the defendants have filed answers in which they ask affirmative relief. None of the said defendants are residents of this District or subject to the process of this Court.

32. As a further defense to the Bill of Complaint filed against it in this cause, the defendant sets forth that the same is not filed in compliance with Rule 25 of the General Rules of Practice for the Courts of Equity of the United States, and that the said Bill is not a short and simple statement of the ultimate facts upon which the plaintiff seeks relief, nor does it omit statements of evidence, but on the contrary, is verbose, argumentative, and incorporates as exhibits a great mass of evidence.

[fol. 180] Wherefore, the defendant prays that the Bill of Complaint filed against it in this cause be dismissed at the cost of the plaintiff.

United Engineering & Foundry Company, By Brown, Critchlow & Flick, Patterson, Crawford, Arensberg & Dunn, Counsel for Defendant.

Jo. Bailly Brown, C. F. C. Arensberg, Of Counsel.

[fol. 181] IN THE DISTRICT COURT OF THE UNITED STATES,
FOR THE WESTERN DISTRICT OF PENNSYLVANIA.

In Equity No. 2991.

THE COLD METAL PROCESS COMPANY, PLAINTIFF

v.

UNITED ENGINEERING & FOUNDRY CO., DEFENDANT

SUPPLEMENTAL BILL OF COMPLAINT—Filed May 11, 1936.

To the Honorable, the Judges of Said Court:

For this, its bill of complaint supplemental to the bill of complaint filed herein on the seventeenth day of November, 1934, plaintiff, says:

29. Since the filing of the original complaint herein material facts relating to this controversy have occurred; there have come to the knowledge of the plaintiff material facts relating to this controversy of which it was ignorant when said original complaint was filed and of which it could not then have learned by the exercise of reasonable diligence; and there has been a decision of the Circuit Court of Appeals for the Third Circuit, rendered in this suit on plaintiff's motion for preliminary injunction, determining the matters in controversy or a part thereof; all of which matters are hereinafter pleaded in furtherance of justice to the plaintiff.

30. Subsequent to the filing of the original bill of complaint herein, to wit, January 28, 1935, this Court dismissed the petition referred to in Section 11 of said bill of com-

[fol. 182] plaint. No arbitration has been had nor is any arbitration proceeding pending between the parties.

Plaintiff avers that the defendant has made arbitration impossible because of, inter alia, its failure and refusal to participate in bona fide negotiations which, under the agreement, are a condition precedent to arbitration; its refusal to name unbiased arbitrators; its refusal to arbitrate except upon unreasonable and inequitable conditions for arbitration, and its insistence that said patent 1,779,195 be adjudicated in other courts prior to arbitration.

31. During the argument of the appeal referred to in Sections 29 and 33 hereof, a suggestion was made by the presiding judge of the Circuit Court of Appeals that the parties submit the controversy herein to arbitration in accordance with the understanding between the parties as expressed in the 1927 agreement. Plaintiff promptly offered to proceed with the arbitration in accordance with such suggestion, but defendant, after consideration, refused to so proceed.

32. Defendant has always insisted and still insists that under the terms of the 1927 agreement no obligation rests or rested upon it to accept any license under Patent 1,779,195, even if the terms of the license and the payments to be made had been or were fixed by arbitration or negotiation or otherwise, and that it would not and will not bind itself to accept any such license unless and until Patent 1,779,195 has been declared valid by a court of last resort.

33. On September 27, 1935, the Circuit Court of Appeals for the Third Circuit, on appeal from the order of this Court denying plaintiff's petition for preliminary injunction, handed down its decision determining certain matters in controversy herein. Said Court determined, inter alia, [fol. 183] that the 1927 agreement did not constitute a license, either per se or equitable, that a bill for specific performance in this case could not be maintained, and that a court could not enforce an agreement such as the 1927 agreement because there are no terms to enforce.

34. Despite said decision, and subsequent thereto, defendant has failed and refused and still fails and refuses to take any steps toward fixing by negotiation the terms of any license agreement to be acquired by it or to accept any

license from plaintiff under the 1927 agreement and has repudiated and denied and still repudiates and denies any and all obligations under said agreement, although still claiming rights thereunder. Defendant has sought and continues to seek to postpone, and refuses to fix by negotiation, any determination of liability to this plaintiff growing out of the use of the inventions of Patent 1,779,195 pending the outcome of one or more of the patent suits brought by plaintiff and referred to in Article 21 of the original bill of complaint herein. Defendant has admitted that it no longer has any interest in or desire to prosecute the patent suits filed by it and referred to in Articles 19 and 20 of the original bill of complaint herein in view of the fact that plaintiff has proceeded with litigation on Patent 1,779,195.

35. Notwithstanding the above-recited determination of the Circuit Court of Appeals that the 1927 agreement is not enforceable, plaintiff has made repeated efforts to settle the controversy and has offered to grant to defendant a license under said patent upon terms and conditions which defendant has stated would be substantially acceptable to it if it were prepared to accept any license at this time, but defendant has refused and still refuses to accept any license from plaintiff that will be effective [fol. 184] prior to the final adjudication by a court of last resort that said patent is valid, and moreover refuses to agree to accept such license even if and when said patent shall have been so adjudicated unless plaintiff shall also agree:

A. To protect defendant against the effect of certain agreements made and entered into between defendant and The American Rolling Mill Company ("Armco") without the knowledge or consent of plaintiff, by the terms of which defendant agreed not to sue for infringement any of the licensees of Armco because of its or their use of any of the inventions of Patent 1,779,195.

B. To grant immunity to all of defendant's customers to whom defendant has granted sub-licenses or to whom it has granted immunity.

C. To hold defendant harmless against all claims by anyone who might assert any right or claim to indemnity from defendant because of any acts of defendant in connection with Patent 1,779,195, or any express or implied agreement, including patent guarantees, that such parties might have with defendant.

D. To agree that no payments of any kind from defendant for the past (over the period of nearly nine years from the date of the 1927 agreement and more than five years from the date of issue of Patent 1,779,195) be made except by way of advances to be returned to defendant out of plaintiff's earnings on Patent 1,779,195 and all of its other patents relating to metal rolling.

E. That in case any unlicensed party shall build, sell, lease, or in any way furnish for use in the United [fol. 185] States a mill coming under the patent and twenty-four inches or more in width, defendant be relieved of all royalty payments otherwise due so long as such unlicensed party shall remain in competition with defendant in respect of the exploitation of the patented mills.

Defendant well knew that the conditions so imposed by defendant as conditions precedent to a license were and are wholly unacceptable to plaintiff, and were in violation of the understanding between the parties at the time of entering into the 1927 agreement, and defendant well knew when it made such proposal that said conditions could not and would not be accepted by plaintiff. Plaintiff has refused to negotiate upon such terms and conditions and defendant refuses to negotiate upon any other terms or conditions.

36. Plaintiff is informed and believes and therefore avers that the defendant has entered into an agreement or understanding with one or more of its customers under which defendant is precluded from taking any action or in any way dealing with plaintiff except with the approval of said customer or customers; that defendant has bound itself not to make any agreement or proceed with any negotiations with plaintiff which will in any way be prejudicial to the interests of said customer or customers, defendant well

knowing that said customer or customers were and are hostile to the interests of plaintiff; and that said customer or customers have sought and are seeking to have Patent 1,779,195 declared invalid and plaintiff alleges on information and belief that defendant has by contracts, arrangements and understandings with third parties, disabled itself from entering into any agreement with plaintiff under Patent 1,779,195 except upon terms which will for all practical purposes release substantially all infringers of the [fol. 186] patent from the consequences of their past infringements and all future infringements which they may wish to commit, and that defendant has repudiated and abandoned all claims or rights under the 1927 agreement and all legal relations arising therefrom but nevertheless continues to use said invention without any right whatsoever.

37. On the twenty-eighth day of October, 1931; defendant, without the knowledge or consent of plaintiff, entered into a secret agreement with defendant's chief competitor, Mesta Machine Company, of the form and terms hereto attached and marked Exhibit "FF." By means of said agreement defendant combined with said Mesta Machine Company whereby they pooled their interests for the advantage of each other and if need be to the disadvantage of plaintiff to the extent of invalidating plaintiff's patent 1,779,195, under which patent they nevertheless sought to secure mutual benefits if said patent was finally declared valid.

Plaintiff did not know the full terms or full effect of this secret agreement until after the filing of the original bill of complaint herein, and although it made diligent effort to determine the facts regarding the same, it was unable to do so. Specifically plaintiff avers that it learned of the existence of an agreement of some sort between defendant and Mesta Machine Company prior to the filing of the original bill of complaint herein but did not have an opportunity to determine the true facts regarding the same; that it made inquiry of defendant regarding such agreement and was advised by defendant that an agreement did in fact exist, but defendant falsely represented the terms and particulars thereof to plaintiff; and when plaintiff filed its

original bill of complaint herein it averred on information and belief (Section 18 of said bill) and continued to aver thereafter that some agreement existed but defendant in [fol. 187] its answer to the original bill of complaint herein denied that said agreement had the force and effect stated by plaintiff in the original bill of complaint in respect of said agreement.

It appears from said agreement, and plaintiff avers the facts to be, that it was agreed between the parties to said agreement that they were to cooperate in every way possible to have Patent 1,779,195 declared invalid, but that Mesta was in the first place to attempt to secure a license under said patent and grant defendant a sublicense thereunder, and failing in that to provoke the suit and defend it vigorously with a view of invalidating the patent, and that under and by means of said secret agreement defendant conspired with Mesta to secure from plaintiff a valid license for the benefit of both and at the same time undertook and agreed jointly to attempt to invalidate the patent.

Plaintiff is informed and believes and therefore avers that by means of misrepresentation and suppression of the true facts, defendant sought to take advantage of a situation secretly created by it and relied upon such situation as an excuse for not keeping its agreement with plaintiff.

38. At all times before and after the filing of the original bill of complaint herein plaintiff has stood ready, willing and able to perform all its obligations under the 1927 agreement and has not been and is not in default thereunder. Plaintiff has made every effort to negotiate with defendant as contemplated by said agreement but has been unable to do so because of the wrongful conduct and refusal of defendant to arbitrate or in good faith to negotiate under said agreement.

39. Plaintiff is informed, advised and believes and therefore avers that defendant has disabled itself from performing its obligations under the 1927 agreement; that said agreement contemplates bona fide negotiation between the [fol. 188] parties, but that by reason of various agreements and understandings made by defendant with third parties whose interests in the subject matter are contrary to those of plaintiff (some of said agreements and understandings

being prior to the filing of the original bill of complaint herein, but of whose existence and or terms plaintiff was ignorant at the time of the filing thereof, and some of said agreements and understandings being subsequent to the filing of said original bill of complaint), defendant is precluded from negotiating, determining or paying any license fee in accordance with the language and intent of the 1927 agreement, but, on the contrary, is forced by reason of such agreements and understandings with third parties to insist upon unjust and inequitable terms and conditions contrary to the language and intent of the 1927 agreement and for the benefit of such third parties.

40. Plaintiff is informed and believes and therefore avers that the 1927 agreement cannot be specifically enforced by judicial process; that a bill for specific performance could not be maintained; that no court could enforce said agreement; that by reason of such facts and by reason of the matters and things alleged in the original bill of complaint and hereinabove, and by reason of the fact that the existence of said agreement creates a cloud upon plaintiff's title to its Patent 1,779,195 and prevents plaintiff from freely dealing with others for licenses thereunder and from enjoying the fruits of said patent, and by reason of defendant's wilful and persistent refusal to cooperate with plaintiff in settling their differences, plaintiff is without adequate remedy at law and requires and should have the equitable relief hereinafter prayed for.

41. Plaintiff is informed and believes and therefore avers that defendant is continuing unrestrictedly to manufacture and sell the inventions covered by Patent 1,779,195 and [fol. 189] intends to continue so to do irrespective of any rights of plaintiff or lack of rights of defendant in the premises, and is infringing and threatens to continue to infringe in violation of plaintiff's rights and is thereby causing plaintiff great and irreparable injury and damage.

42. Plaintiff has never received anything from defendant under the said 1927 agreement or for the execution thereof, but stands ready and willing to restore to defendant anything of value with which defendant has parted and which the court may hold defendant is entitled to receive as the result of the cancellation, annulment or termination of the said 1927 agreement.

Plaintiff therefore prays:

(p) That defendant shall make answer to this supplemental bill of complaint, not, however, under oath, which is hereby expressly waived.

(q) That this Court by decree declare the 1927 agreement cancelled, revoked and annulled, and that all legal relations existing between the plaintiff and the defendant arising therefrom be cancelled, annulled and terminated and the plaintiff and defendant be required to surrender the originals thereof for destruction.

(r) That this Court determine or have determined by reference to a master or otherwise the amount due from defendant to plaintiff for the manufacture and sale of equipment covered by Patent 1,779,195 in the past and grant plaintiff a judgment for such amount with interest.

(s) That preliminary and perpetual injunctions be issued enjoining and restraining the defendant and all others acting by or under its authority from any further manufacture, sale or use in any manner of the patented improvements [fol. 190] covered by said Patent 1,779,195 or any part thereof in violation of plaintiff's rights.

(t) That prayers (g), (h), (i), (j) and (k) of the original bill of complaint herein be considered as prayers for alternative relief, to be granted if but only if the relief of prayers (q), (r) and (s) hereinabove be denied.

(u) That such other and further relief may be granted and decreed to plaintiff as the equity of the case may require and to your Honors may seem meet.

The Cold Metal Process Company, By Venice J. Lamb, President.

Reed, Smith, Shaw & McClay, Counsel for Plaintiff.

John J. Heard, John C. Bane, Jr., Walter J. Blenko, Of Counsel.

Duly sworn to by Venice J. Lamb jurat omitted in printing.

[fol. 191] IN UNITED STATES DISTRICT COURT

ANSWER TO SUPPLEMENTAL BILL OF COMPLAINT—EQUITY
No. 2991—Filed November 21, 1936.

To the Honorable, the Judges of Said Court:

United Engineering & Foundry Company, the defendant, without waiving its motion heretofore made to dismiss the supplemental bill of complaint for the reasons set forth in said motion, answers the supplemental bill of complaint as follows:

29. It is denied that since the filing of the original complaint herein material facts relating to this controversy [fol. 192] have occurred, or that there have come to the knowledge of the plaintiff material facts relating to this controversy of which it was ignorant when the original complaint was filed herein, or of which it could not then have learned by the exercise of reasonable diligence, or that there has been a decision of the Circuit Court of Appeals for the Third Circuit rendered in this suit on plaintiff's motion for a preliminary injunction which determined any matters in controversy or any part thereof, except that a preliminary injunction should issue upon the plaintiff's said motion therefor.

30. It is admitted that subsequent to the filing of the original bill of complaint herein, which was on January 28, 1935, this Court dismissed the petition referred to in Section 11 of said bill of complaint. It is admitted that no arbitration has been had, nor is any arbitration proceeding pending between the parties. There is, however, an equity proceeding pending between the parties in the District Court of the United States for the Northern District of Ohio, Equity No. 5059 (a copy of the bill of complaint being attached to the original bill of complaint filed herein and marked Exhibit "C"), brought by United Engineering & Foundry Company on October 15, 1934, against the Cold Metal Process Company, seeking to have determined therein the payment to be made by the defendant (United) to the plaintiff (Cold Metal). The reason why the equity proceeding referred to herein has not been proceeded with and by this time determined in its normal course is that the

plaintiff herein (Cold Metal) has, by the preliminary injunction issued in this Court, restrained the defendant (United) from proceeding therewith. This defendant avers that the equity proceeding in Ohio was brought by this defendant in good faith to have the matters therein set forth [fol. 193] determined, and that the delay in that proceeding and in the determination of the rights of the parties therein has been due to the plaintiff (Cold Metal) and not to the defendant (United).

It is denied that the defendant has made arbitration impossible, either for the reasons as averred by the plaintiff in the sub-paragraph of Section 30 of the supplemental bill of complaint or for any other reason, or that the defendant failed or refused to participate in bona fide negotiations, or that any negotiations are, under the agreement referred to or otherwise, a condition precedent to arbitration, or that the defendant refused to name unbiased arbitrators or that it refused to arbitrate, except upon unreasonable or inequitable conditions for arbitration, or that it insisted that said Patent No. 1,779,195 should be adjudicated in other courts prior to arbitration. Not only has defendant not refused to negotiate with plaintiff to determine the payment to be made under the 1927 agreement, and all other matters in controversy between the parties, but on the contrary, defendant's officers and attorneys have had numerous interviews and conferences with officers and attorneys of the plaintiff throughout the period of time since the termination of proceedings in equity No. 2506, both before and after the filing of the original bill herein, and up to and after the filing of the supplemental bill herein.

Defendant is informed and believes and therefore avers that the plaintiff has entered into contracts with third parties and is involved in litigation as a result of which plaintiff is disabled from proceeding effectively with negotiations to fix the payment to be made as contemplated by said 1927 agreement, and as a result of such contracts and litigation is now unable to negotiate freely with United as referred to in the supplemental bill of complaint.

[fol. 194] The defendant is advised by counsel, believes and therefore avers that the rights of the parties do not depend upon the willingness of such parties to participate

in negotiations, or that negotiations, either under the agreement or otherwise, are conditions precedent to any arbitration; and the defendant further avers that there is no reason whatsoever why the rights of the parties should not be determined in the suit brought by the defendant (United) against the plaintiff (Cold Metal) in the home district of the plaintiff (Cold Metal), as hereinbefore set forth or why any defense which the plaintiff (Cold Metal) may have as to any alleged bad faith of the defendant herein (United) in bringing the said suit in Ohio could not have been raised in the said suit; and further that the plaintiff (Cold Metal) in enjoining the said suit has caused the conditions of which it apparently now complains. The defendant in further answer hereto refers to the answer heretofore filed by it to the original bill of complaint.

31. The defendant is advised by counsel, believes and therefore avers that the matters set forth in the 31st paragraph of the supplemental bill of complaint are immaterial and irrelevant to any issue between the parties hereto, and that the defendant need not make answer thereto. The defendant, however, says, according to counsel's recollection, that the suggestion of the presiding judge was not that the parties should submit the controversy to arbitration in accordance with the understanding between the parties as expressed in the 1927 agreement, but that the presiding judge or the Court should name a Master or arbitrators to determine the controversy, who should act under the direction of the Circuit Court of Appeals. The defendant did not believe that the controversy between the parties could be adjusted by a master or arbitrators so appointed.

[fol. 195] 32. The defendant is advised by counsel, believes and therefore avers that the matters set forth in the 32d paragraph of the supplemental bill of complaint are irrelevant and immaterial to any issue between the parties in this case. It is denied that the defendant has ever insisted that under the terms of the 1927 agreement no obligation rests or rested upon it to accept any license under Patent No. 1,779,195. On the contrary, the defendant has always insisted that under the 1927 agreement and upon the issuance of Patent No. 1,779,195 it has had an exclusive license under the said Patent No. 1,779,195 in accordance

with the terms thereof, and the defendant has sought by negotiations and by the equity proceeding brought by it against the plaintiff (Cold Metal), as hereinbefore set forth, to have the sum of money to be paid by it to the plaintiff (Cold Metal) under the terms of the said agreement fixed and determined. The defendant at all times has been willing to make any payment due plaintiff under the said agreement when the amount thereof has been arrived at in any legal and appropriate way. The defendant has never insisted that it would not accept a license until the Patent No. 1,779,195 had been declared valid by a court of last resort. On the contrary, defendant has always insisted that under the 1927 agreement it has an exclusive license.

33. Answering the averments contained in the 33d paragraph of the supplemental bill of complaint, the defendant refers to the decision of the Circuit Court of Appeals for the contents and effect thereof. It is denied that the decision determined any matter in controversy herein, except that a preliminary injunction ~~should issue~~ as therein ordered.

34. The defendant is advised by counsel, believes and therefore avers that the matters set forth by the plaintiff in the 34th paragraph of the supplemental bill of complaint are irrelevant and immaterial to any issue between the [fol. 196] parties in this cause. The defendant, however, sets forth that it is advised by counsel, believes and therefore avers that it has had at all times since the issuance of the Patent No. 1,779,195 an exclusive license under the 1927 agreement, and that it is unnecessary to fix any terms of said license, except the payment to be made by the defendant to the plaintiff therefor. The terms of the license, which the defendant has under the 1927 agreement, are fully set forth in paragraph 3 thereof. The defendant has never repudiated or denied any obligation under the agreement. It is denied that the defendant has sought or continues to seek to postpone the determination of any liability to the plaintiff or refuses to negotiate about the sum of money to be paid to the plaintiff. On the contrary, the defendant (United) had, prior to the commencement of this case, brought suit against the plaintiff (Cold Metal) in the

Northern District of Ohio as hereinunder set forth, in order to have a determination of what amount the defendant (United) owes the plaintiff (Cold Metal) under the 1927 license agreement. The delay in and postponement of that cause and the determination therein of any amount to be paid the plaintiff has been due to the plaintiff (Cold Metal) and not to the defendant (United). It is denied that any action taken by the defendant has been "despite said decision," or that there has been any failure or refusal or repudiation or denial by the defendant as averred by the plaintiff in the 34th paragraph of the supplemental bill of complaint. Defendant denies that it no longer has any interest in or desire to prosecute the patent suits filed by it and referred to in Articles 19 and 20 of the original bill of complaint. .

35. The defendant is advised by counsel, believes and therefore avers that the matters set forth in the 35th paragraph [fol. 197] of the supplemental bill of complaint are incompetent and irrelevant to any issues in this cause. The defendant, however, in answer thereto says that it is advised by counsel, believes and therefore avers that there has been no determination by the Circuit Court of Appeals that the 1927 agreement is not enforceable. It is denied that the plaintiff has offered to grant to the defendant any license under said patent upon terms or conditions which the defendant has stated would be or which in fact would be substantially acceptable to it. The defendant avers that it has at the present time an exclusive license, as hereinbefore set forth, under the said 1927 agreement, and has attempted to have determined the amount to be paid by it to the plaintiff for such exclusive license. It is denied that the defendant has refused at any time to accept any license that will be effective prior to the final determination by a Court of last resort that said patent is valid. The defendant denies that as a condition to the exclusive license to which it is entitled under the 1927 agreement it has at any time ever required the plaintiff to make such agreements as are set forth in paragraph 35—sub-paragraphs (A), (B), (C), (D) and (E). .

Defendant says that at all times it has been willing to make payment for the exclusive license vested in it under

the 1927 agreement in such an amount as may be agreed upon between the plaintiff and the defendant, or as may be determined by arbitration, or in an appropriate legal proceeding. The plaintiff, however, has at all times refused to negotiate or to fix by arbitration what payment should be made by the defendant to the plaintiff for the exclusive license provided for under the terms of the said 1927 agreement. The defendant has been willing to negotiate with the plaintiff and has made the plaintiff numerous offers, but the plaintiff has refused all of such offers, and in every [fol. 198] instance has insisted as one of the terms of any agreement or settlement between the parties hereto that defendant surrender to plaintiff the exclusive license provided in the 1927 agreement and take in place thereof a license non-exclusive in all respects and upon much less advantageous terms than those provided by the 1927 agreement. Defendant has not been averse in the past and is not now averse to discussing with the plaintiff another or different license under the said Patent No. 1,799,195 if the terms thereof be made satisfactory to the defendant and if protection be given to the defendant with respect to sales made by the defendant to others and agreements entered into with others on the basis of the defendant's exclusive license under the said 1927 agreement. Defendant, however, again sets forth that it is advised by counsel, believes and therefore avers that none of the negotiations between the parties with respect to what agreement they might be able to reach have any relevancy or bearing upon the legal rights of the parties as sought to be asserted by the plaintiff in the pending proceeding.

Such conditions as are referred to in paragraph 35 have no application to the exclusive license to which the defendant is entitled, but would be desirable to protect defendant only if the defendant would agree to accept a non-exclusive license from plaintiff.

Defendant denies that it knew the conditions set forth in paragraph 35 were unacceptable to the plaintiff and denies that it has refused to negotiate upon any other terms or conditions.

36. The defendant denies that it has entered into any agreement or understanding with one or more of its cus-

tomers as set forth in the 36th paragraph of the supplemental bill of complaint, and calls upon the plaintiff more specifically to state what agreements are referred to so that [fol. 199] the same may be produced in Court as proof of the contents thereof. It is denied ~~that the~~ defendant has repudiated or abandoned any claim or right under the 1927 agreement or any legal relations arising therefrom, or that it continues to use said invention without any right therein. On the contrary, the defendant at all times has taken the position that it has had and still claims to have an exclusive license under the 1927 agreement in accordance with its terms, and the defendant has at all times been and now is ready and willing to pay such sum of money under the said 1927 agreement as may be legal and validly found to be due and payable by it to the plaintiff. The defendant further denies that such matters as are set forth in the 36th paragraph of the supplemental bill of complaint have arisen since the filing of the original bill of complaint, or that knowledge thereof has come to the plaintiff subsequent to the filing of the original bill of complaint herein.

37. It is admitted that on October 28, 1931, the defendant entered into an agreement with Mesta Machine Company, a copy of which is attached to the supplemental bill of complaint and marked Exhibit "FF," and for the contents thereof the defendant refers to the exhibit itself, and denies any statement of such contents or effect as is set forth in paragraph 37, or elsewhere, in the supplemental bill of complaint. It is denied that the plaintiff did not know the full terms or full effect of the said agreement until after the filing of the original bill of complaint herein, or that it was unable to determine the facts regarding the same. On the contrary, the plaintiff at and prior to the time the original bill of complaint was filed, had full knowledge of the said agreement and the contents thereof and referred to the same in the eighteenth paragraph thereof. It is denied that the defendant falsely represented the terms or particulars of the said agreement to the plaintiff, and as averred in its answer to the original bill of complaint, the defendant admitted said agreement with the Mesta Machine Company and offered to produce the same at any trial of the within cause and did in fact produce the same at the hearing in this Honorable Court upon the plaintiff's

application for a preliminary injunction. It is denied that by means of the said agreement the defendant conspired with Mesta Machine Company to secure from the plaintiff a license for the benefit of both or at the same time undertook or agreed jointly to attempt to invalidate the patent or entered into any other conspiracy or that at any time the defendant by means of any misrepresentation or any suppression of facts sought to take any improper or illegal advantage of any situation or that it relied upon any such situation as an excuse for not keeping any agreement which it had with the plaintiff. For further answer the defendant refers to the eighteenth paragraph of its answer to the original bill of complaint filed in this cause, and again points out that the said Mesta agreement was entered into by the defendant at a time shortly after the plaintiff had entered suit against the defendant in this Honorable Court at No. 2506, in equity, as an infringer, and before the suit had been tried or determined. In its answer defendant took the position in the said suit that the said 1927 agreement was not in existence, and the defendant again avers that in such a situation and until the said 1927 agreement was found valid and that the defendant had an exclusive license thereunder, it, the defendant, had the right to contest the validity of the said Patent No. 1,779,195, and to enter into the agreement, Exhibit "FF" with the Mesta Machine Company.

38. It is denied that at all times before or after the filing of the original bill of complaint herein the plaintiff has stood ready, willing or able to perform all of its obligations [fol. 201] under the 1927 agreement, or is not in default thereunder or that it has made every effort or any effort to negotiate with the defendant as contemplated in the said agreement, or that the defendant is guilty of any wrongful conduct to the plaintiff or has refused to arbitrate or in good faith to negotiate under said agreement. On the contrary, the defendant avers that the plaintiff has never been ready or willing to accord to the defendant the exclusive license which, under the 1927 agreement and upon the issuance of the patent, has been vested in the defendant, or to negotiate with the defendant the sum of money to be paid by the defendant to the plaintiff for such exclusive license.

39. The defendant denies that it has at any time disabled itself from performing any of its obligations to the plaintiff

under the 1927 agreement, or that it has been unwilling to conduct negotiations under the terms of the said agreement. It is denied that any agreement or understanding has ever been made by the defendant with any third parties, whether the interests of the said third parties were contrary to those of the plaintiff or not, which has precluded the defendant in any way from negotiating with the plaintiff or determining the amount of or paying any sum of money which may be legally determined to be due and payable by the defendant to the plaintiff under the terms of the 1927 agreement. It is denied that by reason of any agreements or understandings with third parties the defendant has in any way prejudiced the plaintiff or any rights which it may have, or that the defendant has put itself in such a position that it cannot accord to the plaintiff its full rights under the said agreement or pay the plaintiff the full sum of money to which the plaintiff may be entitled under the terms of the 1927 agreement, for the said exclusive license granted under the terms of the said agreement to the defendant. It is further denied that any of the said agreements or understand-[fol. 202] ings referred to in the thirty-ninth paragraph of the supplemental bill of complaint are of such a kind or character as give the plaintiff any right or standing to maintain the supplemental bill of complaint filed by it in this cause.

40. Defendant is advised by counsel, believes and therefore avers that the statements set forth in the fortieth paragraph of the supplemental bill of complaint are conclusions of law to which the defendant is not required to make answer, except to deny generally that the same are true or correct as stated therein.

41. Answering the averments contained in the forty-first paragraph of the supplemental bill of complaint, the defendant denies that it has ignored or violated the plaintiff's rights or that it is infringing any rights of the plaintiff or is causing the plaintiff any damage. On the contrary, the defendant says that it has an exclusive license under the said Patent No. 1,779,195 under the terms of the 1927 agreement, and is ready and willing to pay such amount to the plaintiff therefor as may be legally found to be due from the defendant to the plaintiff.

42. It is denied that the plaintiff has never received anything from the defendant under the said 1927 agreement or for the execution thereof. On the contrary, defendant avers that plaintiff (Cold Metal) has received and cannot now restore to defendant (United) certain valuable considerations which have already flowed from defendant to plaintiff under the 1927 agreement, to wit, the defendant fully cooperated with plaintiff as provided in paragraphs 1 and 2 of the said 1927 agreement in that "with the agreement and cooperation of United" plaintiff (Cold Metal) was allowed to present United's patented claims in the co-pending patent application of Cold Metal, and United co-operated to its own prejudice and disadvantage in carry-[fol. 203] ing out the "plan for securing the allowance of such claims" to Cold Metal referred to in paragraph No. 1 of the said contract. Defendant (United) by way of executing its part of the said contract, first procured a patent to issue to it on the subject matter referred to in said contract and on its own application, and then abstained from contesting priority of invention of the subject matter of said claims in the subsequent interference provoked in the Patent Office; and abstained from contesting the right of plaintiff (Cold Metal) to make the said claims copied from United's patent. By this participation in and carrying out of the plan contemplated in the 1927 agreement, and by this co-operation first to secure allowance of said claims in defendant's application, copying of the patented claims by plaintiff, and later a default judgment of priority in favor of plaintiff (Cold Metal), all pursuant to and in execution of the plan adopted under the said 1927 contract, plaintiff (Cold Metal) was able to obtain the issuance of a patent containing claims copied from United's patent without any of the expense or hazard of protracted Patent Office litigation that would otherwise have resulted, which litigation at that time, defendant is advised, believes, and avers, had it been contested, would have prevented Cold Metal from obtaining in a patent to it any of the said claims copied from United's patent. It is denied that the plaintiff is able to restore to the defendant the things of value parted with by the defendant (United) in entering into the said 1927 agreement.

43. Further answering the supplemental bill of com-

plaint the defendant says that the fact that the 1927 agreement is a valid and subsisting one, that there is vested in the defendant an exclusive license thereunder, and that the defendant is not and has not at any time been an infringer of the Patent No. 1,779,195 have already been adjudicated, and the same are res judicata between the parties, and [fol. 204] further that the defendant at all times has stood ready and is now ready to pay the plaintiff what amount shall be legally determined to be due the said plaintiff under the terms of the said 1927 agreement. The defendant pleads as establishing a prior adjudication as herein set forth, the proceedings in this Honorable Court between the parties hereto at Equity No. 2506 and the findings of this Honorable Court therein, the appeal taken by the defendant from the decree of this Honorable Court entered at Equity No. 2506 to the Circuit Court of Appeals for the Third Circuit, the motion made by the plaintiff (Cold Metal) in the Circuit Court of Appeals to dismiss the said appeal, on the ground that as a licensee it (United) could not contest the validity of Patent No. 1,779,195, and the action of the said Circuit Court of Appeals granting the said motion to dismiss, and its opinion therein, the same being reported in 68 Fed. (2d) 564.

44. Further answering the supplemental bill of complaint, the defendant says that while it has had under the 1927 agreement an exclusive license, it has never enjoyed any benefits therefrom in that there has been from the beginning a widespread infringement of said patent, and the plaintiff (Cold Metal) has never, until recently, taken any steps to enforce this patent (Except as against United) and has at all times denied the defendant the right to protect itself.

45. As a further and alternative defense to said supplemental bill of complaint, under the provisions of Supreme Court Equity Rule 30, and particularly on the basis of plaintiff's position as set forth in paragraph 40 and prayer (q) of the supplemental bill, defendant avers that Patent 1,779,195 to Abram P. Steckel is invalid and unenforceable in a court of equity by this plaintiff, as follows:

(a) Because said Steckel was not the true, original, first and sole inventor of the alleged improvements,

[fol. 205] or any material or substantial part thereof, but that the same, in all material and substantial parts, prior to the alleged invention thereof by said Steckel, or more than two years before his application for patent filed June 30, 1923, had been patented, and had been disclosed in printed copies of patents, published on or about their respective dates of issue, and has been disclosed in other printed publications, as follows:

United States Patents

- No. 41,307—January 19, 1864, to Lauth
- No. 46,371—February 14, 1865, to Mann
- No. 104,177—June 14, 1870, to McCleane
- No. 165,819—July 20, 1875, to Hahn
- No. 800,950—October 3, 1905, to Somers
- No. 904,605—November 24, 1908, to Cushwa
- No. 1,071,846—September 2, 1913, to Wilmot
- No. 1,360,959—November 30, 1920, to Kriwan

German Patents

- No. 36,597—August 17, 1886, to Weidtman
- No. 283,761—April 23, 1915, to Rheinische Walzmaschinen-Fabrik
- No. 344,215—November 14, 1921, to Dostal

Austrian Patent

- No. 77,898—January 15, 1919, to Dostal

Printed Publications

Catalogues of Mossberg & Granville Mfg. Co., Providence, Rhode Island, entitled "Roller Bearing Supplement," March 1, 1896, and "Roller Bearings," 4th Edition, 1902

Catalogue of Standard Machinery Co., Auburn, Rhode Island, entitled "Rolling Mills," 15th Edition, 1920

(b) Because the alleged improvements claimed in said Patent No. 1,779,195 in all material and substantial [fol. 206] parts, prior to the alleged invention thereof

by said Steckel, had been in public use or on sale in the United States by the following companies:

American Tube & Stamping Company,
Bridgeport, Connecticut.
Mossberg & Granville Mfg. Company,
Providence, Rhode Island.
Standard Machinery Company,
Providence, Rhode Island.
Wickwire-Spencer Steel Corporation,
Worcester, Mass.
Edgar T. Ward Company,
Boston, Mass.
Lukens Steel Company,
Coatesville, Penna.

(c) Because the said patent application filed by said Steckel on June 30, 1923, did not disclose the subject matter claimed in Patent No. 1,779,195, and therefore said patent does not have the benefit of the filing date of said 1923 application, or of any date prior to that of its own application, viz.: December 9, 1929, and the alleged inventions claimed in said Patent No. 1,779,195, in all material and substantial parts, prior to the alleged invention thereof by said Steckel, had in addition to the patents and publications above listed been disclosed in printed publications published more than two years prior to the date of application for said Patent No. 1,779,195, to wit:

"The Iron Age," May 19, 1927, pages 1431-1439, inclusive.

"Iron Trade Review," May 19, 1927, pages 1271-1275, inclusive.

"Iron Trade Review," June 9, 1927, pages 1475, 1476, and 1477.

[fol. 207] "The Blast Furnace and Steel Plant," June, 1927, pages 266-269, inclusive,

and had been in public use or on sale in the United States more than two years prior to December 9,

1929, by the following companies at the addresses given in connection therewith, viz.:

Rome Brass & Copper Company,
Rome, New York.

The Columbia Steel Company,
Butler, Penna.

Weirton Steel Company,
Weirton, W. Va.

Allegheny Steel Company,
Brackenridge, Penna.

United Engineering & Foundry Company,
Pittsburgh, Penna.

Mesta Machine Company,
Pittsburgh, Penna.

E. W. Bliss Company,
Brooklyn, New York.

Mackintosh-Hemphill Company,
Pittsburgh, Penna.

(d) Because of the laches of the said Steckel and of the plaintiff in failing to claim the subject matter covered by Patent No. 1,779,195 until more than two years after Rome Brass & Copper Company, of Rome, New York, placed in public use and in commercial operation a 4-high roller bearing mill embodying and containing, and in the operation of which there was used, the alleged inventions claimed in said patent.

(e) Because the subject matter claimed in said Patent No. 1,779,195 in view of the state of the prior art did not represent patentable invention but on the contrary was the result of the use of nothing more than [vol. 208] the expected skill of a mechanic familiar with the art as it then existed.

(f) Because Patent No. 1,779,195 is unenforceable by plaintiff in a court of equity because in the solicitation thereof and in the prior proceedings leading up thereto, the plaintiff herein, then owner of the Steckel alleged invention covered by Patent No. 1,779,195, was, as in part hereinbefore set forth, guilty of such in-

equitable conduct and practices as to debar it from the right in any court of equity to enforce the said patent.

(g) Because, upon information and belief, in a suit brought by plaintiff under said Patent No. 1,779,195 against American Sheet & Tin Plate Company and United States Steel Corporation in the District of New Jersey, Equity No. 4817, plaintiff has alleged and has offered proof that said patent is infringed by 4-high roller bearing mills regardless of the speed of rolling thereon and by skin-pass 4-high roller bearing mills regardless of the rolling pressures used thereon; and further avers that in view of the broad scope of the claims of said patent thus asserted by plaintiff and in view of the state of the art as it existed at the time of said alleged invention of said Steckel and as in part hereinbefore set forth, said Patent No. 1,779,195 is invalid.

(h) And with reference to subsection (b) hereof defendant is informed and believes, and therefore avers that since the trial of Equity No. 2506 between the parties hereto one of the alleged prior use mills as to which proofs were there offered, to wit, the Keating mill of the American Tube and Stamping Company at Bridgeport, Connecticut, has been and now is being operated [fol. 209] by its owners in a manner that shows by actual commercial operations the capability of that mill and of its roller bearings to withstand speeds and pressures alleged by this plaintiff in said proceeding Equity No. 2506 to be impossible for said mill and said roller bearings, and further avers that it had no control over the operation or equipment of the said mill at any time, wherefore the said results of said operation of said mill constitute evidence not available to defendant in said prior proceeding.

46. The defendant renews its motion to dismiss the said supplemental bill of complaint for the following reasons:

(1) The supplemental bill of complaint does not set forth any material or relevant facts nor heretofore pleaded in the bill of complaint filed at the above number.

(2) The supplemental bill does not aver any material facts occurring after the filing of the bill of complaint.

(3) The bill of complaint heretofore filed sets forth the essential provisions of the Mesta agreement and indicates knowledge thereof at the time of the filing of the bill of complaint in the above-entitled cause.

(4) The relief prayed for in the supplemental bill of complaint is inconsistent with the relief prayed for in the original bill of complaint, in that the bill of complaint having been filed for the purpose of enforcing the agreement of June 20, 1927, the supplemental bill of complaint seeks to rescind the agreement from the date thereof.

(5) The agreement of June 20, 1927, having heretofore in this Court at Equity No. 2506 (3 Fed. Supp. 120) been declared valid and subsisting between the parties, the said [fol. 210] agreement can not now be rescinded, nor can the force and effect of the judgment of this Court be nullified or set aside as proposed to be done in the supplemental bill of complaint.

(6) The Circuit Court of Appeals heretofore (68 Fed. (2d) 564) upon appeal by the defendant from the decision of this Honorable Court at No. 2506, finding Patent No. 1,779,195 valid, having dismissed the appeal upon the motion of the plaintiff on the ground that the defendant being a licensee from the plaintiff, the validity of the patent could not be contested by the defendant, the force and effect of the said judgment cannot now be nullified and set aside.

(7) The negotiations set forth in the supplemental bill of complaint with respect to what amount should be paid in compromise by the defendant to the plaintiff under the agreement of June 20, 1927, are irrelevant and immaterial, and contradictory of the relief asked for in the supplemental bill.

(8) As will appear from the proceedings hereinbefore had and the testimony taken herein, the Mesta agreement referred to in the supplemental bill of complaint was introduced in evidence on or about January 15, 1936, upon the plaintiff's application for a preliminary injunction to restrain the defendant from proceeding with certain litigation, until the amount due the plaintiff from the defendant on account of the said agreement of June 20, 1927, was fixed,

determined and paid, and if the exact terms of the said agreement were not otherwise and previously thereto fully known to the plaintiff, the said Mesta agreement then was made known to the plaintiff in its entirety. Without attempting to rescind the said agreement of June 20, 1927, because of the Mesta agreement, the plaintiff proceeded with the evidence in support of the bill as originally filed at [fol. 211] the above No. 2991, to enforce the said agreement of June 20, 1927, and thereafter on January 28, 1935, this Honorable Court made its decree refusing the preliminary injunction as prayed for. Thereupon, on February 1, 1935, the plaintiff took an appeal from the said refusal of the preliminary injunction to the Circuit Court of Appeals and on the second day of May, 1935, argued the same. The Circuit Court of Appeals on the twenty-seventh day of September, 1935, reversed this Honorable Court and ordered the preliminary injunction to be issued, and filed its opinion in the above-entitled cause; and thereafter on the seventeenth day of December, 1936, the plaintiff moved this Honorable Court for the injunction as prayed for in the bill of complaint as originally filed herein, and this Honorable Court thereupon issued said preliminary injunction as prayed for.

(9) The Circuit Court of Appeals has made no decision of the controversy between the parties, except with respect to the issuance of the preliminary injunction, nor does the opinion of the said Circuit Court of Appeals finally determine any rights as between the parties, or make any decision final or otherwise with respect to the said agreement of June 20, 1927.

(10) The purpose and intendment of the bill of complaint filed at the above number is the specific performance of the contract of June 20, 1927, and the determination of the amount due and payable from the defendant to the plaintiff under the terms of the said agreement, and the supplemental bill of complaint filed herein is destructive of the purpose and intendment of the original bill, and at variance therewith and contrary thereto, in that, inter alia, it prays for rescission of the said agreement.

(11) The said supplemental bill of complaint in which the plaintiff seeks to hold the defendant as an infringer,

[fol. 212] will, unless dismissed as herein prayed for, compel the defendant again to put in issue the question of the validity of Patent No. 1,779,195 in that the Circuit Court of Appeals (68 Fed. (2d) 564) having upon the motion of the plaintiff (on the ground that the defendant having a license, could not attack the validity of the patent under which it had the license), dismissed the appeal of the defendant from the decision of this Honorable Court at Equity No. 2506 that the said patent was valid. The defendant has, therefore, never had the review by the Circuit Court of Appeals to which it is entitled, and there has consequently been no adjudication of the validity of the said patent, as between the parties hereto.

United Engineering & Foundry Company, by Brown, Critchlow & Flick, Patterson, Crawford, Arensberg & Dunn, Attorneys for Defendant.

[fol. 213] IN UNITED STATES DISTRICT COURT

FINDINGS OF FACT, CONCLUSIONS OF LAW AND OPINION—Filed
January 4, 1938

McVicar, J.:

This is a suit to restrain the defendant from prosecuting three suits brought by it in other districts, to rescind a contract between the parties made June 20, 1927; or in lieu thereof, to determine the amount due plaintiff under said contract and for other relief. The Court makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. The plaintiff, The Cold Metal Process Company, is a corporation of Ohio, having a place of business at Youngstown, Ohio. Defendant, United Engineering & Foundry Company, is a Pennsylvania corporation, having its principal office at Pittsburgh, Pennsylvania. The plaintiff will hereinafter be termed "Cold Metal." The defendant will hereinafter be termed "United."

2. A. P. Steckel filed an application on June 30, 1923; for patent for an invention relating to the rolling of thin sheet

metal. Steckel assigned this application to Cold Metal. Patent No. 1,779,195, issued as a division of this application, October 21, 1930, and is owned by Cold Metal.

3. On April 20, 1926, Biggert and Johnson filed an application which conflicted as to certain subject matter and which was assigned by them to United.

4. The said Biggert and Johnson application was incorporated in a continuation application which eventuated as Patent No. 1,654,235 and was subsequently involved in an [fol. 214] interference with the Steckel application.

5. In order to avoid future trouble, the parties herein, on June 20, 1927, entered into an agreement, hereinafter called "The 1927 Agreement," which provides:

"Whereas, both parties own certain applications pending in the United States Patent Office relating to 4-high rolling mills and the rolling of thin material; and

"Whereas, it has been suggested to the parties by their attorneys that it may be possible to secure claims to a certain subject-matter common to both parties' applications;

"Now, Therefore, in consideration of the sum of one dollar (\$1.00) and other good and valuable consideration paid by each party to the other party, the receipt of which is hereby acknowledged, and in further consideration of the mutual covenants hereinafter contained, the parties hereto agree for themselves, their successors and assigns, as follows:

"1. The parties will, through their appropriate officers, immediately hold a conference at which their patent attorneys, Byrnes, Stebbins & Parmelee, shall be authorized by both parties to suggest claims covering certain subject-matter common to both parties' applications, and which it is understood are not at the present time being presented in Cold Metals applications; together with a plan for securing the allowance of such claims.

"2. Cold Metals shall not, after such conference, present in its application claims of the scope suggested at the conference, or directed to the subject-matter common to both parties' applications, if such claims are

broaden or of different scope than the claims now presented in Cold Metals applications, except with the agreement and cooperation of United.

{fol. 215} "3. When and if such claim or claims to common subject-matter are granted in any patent issued on Cold Metals' applications, Cold Metals shall grant to United a license to make, use and sell rolling mills under such claim or claims, which license shall be exclusive to United for 4-high hot mills and for 4-high cold mills, in which the major portion of the power required by a roll stand is supplied to the rolls directly and not through tension exerted on the material for pulling it through the rolls; Cold Metals, however, reserving the right to make or have made for its own use and to use in its own plant or plants such hot and cold mills, and provided further that Cold Metal shall have the right to make, use, and sell, or to license others to make, use or sell, such 4-high hot mills in combination with means for coiling the rolled strip between passes as described in the pending application of A. P. Steckel, Serial No. 198,915, filed June 15, 1927.

"4. Immediately after such conference and without waiting for such claims to be secured, the parties shall negotiate the payment to be made by United to Cold Metals for such license, when and if granted. If the parties cannot agree upon such payment, the matter shall be submitted to three arbitrators, whose majority decision shall be accepted as final by both parties. The three arbitrators shall be as follows:

Marshall A. Christy, of Pittsburgh, Pa.
Rollin C. Steese, of Youngstown, Ohio.
Charles H. Booth, of Youngstown, Ohio.

"In case any of the arbitrators cannot serve, another or other arbitrators may be selected by the parties, but in case the parties cannot agree on such substitute arbitrator or arbitrators, then the above named arbitrators shall select the substitute arbitrator or arbitrators."

6. Since the 1927 agreement was executed United has extensively used the inventions covered by the Steckel pat-

[fol. 216] ent in the manufacture and sale of rolling mills and the manufacture and sale of such mills has developed into a major part of the business of United.

7. The 1927 agreement contemplated a payment to Cold Metal for the use of the Steckel invention upon terms to be thereafter immediately agreed upon between the parties or to be determined by arbitration if the parties could not agree, the parties have never reached an agreement upon terms and no arbitration has been had. Cold Metal has never received any moneys from United nor has United ever tendered any moneys to Cold Metal.

8. At the time of the execution of the 1927 agreement a major part of United's business was the manufacture and sale of rolling mill rolls and such business continues to be a dominant and substantial part of United's business.

9. Cold Metal brought a suit in equity in this court against United, March 7, 1931 (No. 2506) for infringement of Patent No. 1,779,195. (No reference is made in the bill to the 1927 agreement.) Defendant, in its answer, pleaded non-validity and the alternative defense if the court found the patent valid and the defendant was an infringer, the 1927 contract. This court, after hearing, found the patent valid and not infringed by reason of the rights granted by plaintiff to defendant under the 1927 contract. A decree dismissing the bill was entered January 9, 1933.

10. United took an appeal from the decree aforesaid, to the Circuit Court of Appeals of this circuit, which appeal was dismissed on plaintiff's motion, January 3, 1934. The court, by Buffington, C. J., stated in its opinion:

[fol. 217] "... is the defendant, which has not surrendered or canceled the license, and is now enjoying the monopoly of the patent, warranted in asking this court in this appeal to convict the court below of error in its decree and here contest the validity of the patent? In that connection we note that, assuming for present purposes the defendant could plead whatever defense it chose, the situation of standing on its unsurrendered license and insisting on a decree which does not invalidate, and therefore leaves it in possession of a licensee's rights, it follows that, enjoying and possessing such license, the defendant is not in a position to contest the

validity of its licensor's patent, the monopoly and rights to which it retains."

The Supreme Court of the United States refused a certiorari March 5, 1934.

11. The parties had further negotiations after the decision in 2506 but were unable to reach any agreement either under the 1927 agreement or under any substitute plan.

12. July 6, 1934, Cold Metal filed suit against the United States Steel Corporation and the American Sheet & Tin Plate Company under Steckel Patent No. 1,779,195 in New Jersey, Equity No. 4906, hereinafter referred to as "The New Jersey Case." United was invited by Cold Metal to participate in such litigation but United, at all times, refused to participate in such suit. Said suit has been tried but has not been decided.

13. Cold Metal was requested by United to bring suit against Continental Roll & Steel Foundry Company and this it did in the District Court of Delaware, September 21, 1934, immediately following such request and advised United of this fact.

[fol. 218] 14. Asserting that it desired to have the patent declared valid, United (assuming itself to be an exclusive licensee) brought suit against E. W. Bliss Company in the District Court for the Northern District of Ohio on July 9, 1934, Equity No. 4981, for infringement of Patent No. 1,779,195.

15. United advised Cold Metal that it proposed to bring suit as exclusive licensee against the Continental Company in Indiana and requested authority to join Cold Metal in that suit. Cold Metal neither consented nor refused to join but requested information as to why a suit should be brought in Indiana when one was already pending in Delaware. Without answering this request, United brought suit the same day, October 3, 1934, such request from Cold Metal was received, joining Cold Metal as plaintiff and joining Illinois Steel Company, a prospective user of the mill (although the mill at that time had not been built) and the Hubbard Steel Foundry Company, a wholly owned subsidiary of the Continental Company.

16. The Ohio and Indiana suits were not brought by United to stop infringements, but to test the validity of

the patent. These suits, in view of the suits in New Jersey and Delaware, are apparently useless unless they have some ulterior object to accomplish. They were hastily filed by attorneys hostile to the patent against friendly defendants without notice of infringement or application of the law as to statutory marking, which prevent recovery for infringement, and without giving Cold Metal any real opportunity to say intelligently whether or not it would join as a party plaintiff.

17. United did not join with Cold Metal in its litigation aforesaid, in New Jersey and Delaware, and has never [fol. 219] sought to do so. Its counsel was present throughout such litigation but took no position toward establishing the validity of the Steckel Patent No. 1,779,195. Said counsel did give some slight aid to the defendants.

18. United has been advised by its patent counsel, both before and since the decision in 2506, that Patent No. 1,779,195 is of questionable validity and has at all times acted on such advice. The same counsel defended United in 2506 and in that case openly declared the patent to be invalid. The same counsel is representing United in the case against Bliss Company in Cleveland and in the case against Continental in Indiana.

19. United forced Cold Metal into litigation in Indiana in the case against Continental Roll & Steel Foundry Company notwithstanding its knowledge that Cold Metal had already sued Continental in Delaware, Equity No. 1078.

20. United attempted to forge the suit against Bliss to an early trial.

21. June 4, 1934, Mr. Ladd, president of United, wrote to Mr. Bennett, president of American Sheet & Tin Plate Company—"While United's position is that under the special guarantee clauses it is not legally obligated to defend or pay any part of the defense of the suit, nevertheless, we have expressed and here repeat, our willingness to give you all possible assistance, and we expect to pay for the time our patent counsel spent in assisting you in the preparation for and in the trial of the case. In view of the peculiar circumstances of this case, this payment to our attorneys may amount to a considerable sum." On June 5, 1934, Ladd wrote Cold Metal stating that he believed

[fol. 220] it desirable to bring suit against the E. W. Bliss Company in Indiana.

22. October 5, 1934, Cold Metal made application to this court for arbitration under the United States Arbitration Act, docket No. 808 miscellaneous, which was dismissed upon motion by United.

23. October 15, 1934, United brought suit in the Northern District of Ohio against Cold Metal, No. 5059, on the ground that Cold Metal was asserting that United did not have a license and asking the court to determine upon the amount of money to be paid Cold Metal and stating that after such suits against the Bliss Company and the Continental Company filed by United had been terminated the validity and scope of the patent and the value of United's rights would be determined.

24. The parties to the 1927 agreement contemplated the execution of a definite formal agreement at a later date which would contain the terms fixed by negotiations or arbitration.

25. United has always, prior to the suits in Ohio and Indiana, taken the position that the contract is executory and that it is not a license. It has taken such position in the courts in its agreement with Mesta and in its guarantees to customers.

26. October 20, 1931, United entered into an agreement with Mesta Machine Company, hereafter called "Mesta" its "chief competitor," which agreement, recited that United had been sued by Cold Metal in this district for infringement of Patent No. 1,779,195; that United was desirous of obtaining from Mesta information as to the use of roller bearings in connection with rolling mill machinery, and help of such general character in the defense of said suit [fol. 221] as Mesta is in a position to give. Mesta represented that it is familiar with the situation surrounding the agreement of June 20, 1927; that the terms of such license are not fully defined in said agreement and that the amount to be paid by United for such license is left to arbitration and is as yet not determined. Mesta agrees that it will attempt to obtain a license from Cold Metal under said patent so that it will be in a position to grant to United a sublicense thereunder, and that if it fails in this, it will use every reasonable effort to have Cold Metal sue it under

said patent because of Mesta's use of roller or said anti-friction bearings in connection with rolling mills or rolling mill machinery heretofore manufactured by it; and agrees further, that if sued, it will vigorously defend such suit with a view to invalidating said patent. Mesta further agreed that it would not acquire a license or any other right under said patent except such a license or such a right by which it could grant to United a license or right under said patent. United agreed that if said 1927 agreement is held valid, it will notify Mesta and that it will grant to Mesta a license to the extent that it can do so under the terms and conditions of such license on the same royalties as are paid by United; and further, that United would not acquire a license or other right under said patent except such a license or right under which it could grant to Mesta a license to manufacture, use and sell the same kind of apparatus and on the same royalties and terms as are payable by and applicable to United.

27. Prior to the filing of the bill in Equity 2506, and at several other times, Mesta requested Cold Metal to bring suit against Mesta under the Steckel Patent No. 1,779,195, which Cold Metal did not do.

28. Mesta never asked for or received any sublicense or any other right under its agreement with United of October 28, 1931.

[fol. 222] 29. At the time the bill was filed in 2506, Cold Metal was claiming that the June, 1927, agreement was dead, that United had no right under it, and that the suit was for straight infringement.

30. March 20, 1933, Cold Metal entered into an agreement with Mesta, almost a year prior to Cold Metal's first knowledge of the Mesta-United agreement, and subsequent to the entry of the decree of the District Court on January 9, 1933, in the patent suit under which Cold Metal agreed with Mesta as follows:

"Cold Metal will not compromise its claim against United under the 4-high mill patent or grant United any additional rights thereunder without obtaining for Mesta equal rights with United for the manufacture and/or sale of mills under the said 4-high mill patent."

31. The Cold Metal-Mesta agreement was drawn by the firm of Stebbins, Blenko & Parmelee.

32. July 6, 1934, in a letter from counsel for Cold Metal to United, the following is stated:

"We have recently learned from our client that some time ago you entered into an arrangement with the Mesta Machine Company under which arrangement we understand the Mesta Machine Company was to attempt to obtain a license from our client and to give you the benefit of any license which it might obtain, and further, Mesta Machine Company was to attempt to induce the bringing of a suit against it under patent No. 1,779,195;—Finally we understand that under this agreement with Mesta, you undertook to grant it a license on the same terms as you, yourself, would obtain; in the event the agreement between you and our client was upheld."

33. Prior to November 17, 1934, being the date of the filing of the original bill in this case, plaintiff knew of the [fol. 223] aforesaid agreement between United and Mesta. Paragraph IV had been read by, or said paragraph had been read to one of its officers. From a letter of plaintiff's counsel, dated July 6, 1934, it appeared that plaintiff knew that under said agreement between United and Mesta, that Mesta was to attempt to obtain a license under Patent No. 1,779,195 and was to give United the benefit of any license obtained and that Mesta would attempt to induce plaintiff to bring suit against it under said patent. Also, it appears in the original bill, in paragraph 18, that plaintiff alleged on information and belief, that United had entered into an agreement, or agreements, with a competitor or competitors of defendant, under which the latter were to seek to provoke a suit under Patent No. 1,779,195 whereby the validity of the patent would be determined; that United stood ready to aid said competitor or competitors in said litigation that said competitor or competitors, in event of the patent being held valid and the 1927 agreement in force, were to receive from defendant, a sub-license on terms as favorable as those obtained by defendant under a license to be granted to it under said 1927 agreement; that no

consideration was paid by said competitor or competitors for such agreement and that the same was executed solely for the purpose of attacking the validity of said patent, without United appearing or showing its true position.

34. Prior to the filing of the bill in this case, Cold Metal undertook to secure information concerning the Mesta agreement from United and United ignored Cold Metal's request.

35. Plaintiff knew substantially the terms of said agreement of 1927 between Cold Metal and United prior to the hearing in this case on the application for a preliminary injunction which was heard January 14 and 15, 1935. Plaintiff did not have an opportunity to read said agreement, [Vol. 224] as a whole, until the time of said trial.

36. September, 28, 1927, United entered into an agreement with American Rolling Mill Corporation, hereinafter referred to as "Armco," in reference to the Biggert and Johnson patent of United. May 4, 1928, United and Armco entered into a supplemental agreement with reference to the Biggert and Johnson patent. June 23, 1928, United entered into a further supplemental agreement with Armco and its subsidiary, Columbia Steel Company. June 13, 1929, United and Armco entered into a fourth agreement having to do with United's June 20, 1927, agreement with Cold Metal.

37. During negotiations with United subsequent to June 13, 1929, it was at all times represented by United to Cold Metal that negotiations under or proposals to take the place of the 1927 agreement were subject to the approval of Armco and that United could not contract freely with Cold Metal by virtue of its relations with Armco.

38. The full content of the fourth Armco agreement became known to Cold Metal during the trial in 2506. United has in its negotiations since the decision in 2506 taken the position that its contractual relations with Armco precluded United from making an agreement with Cold Metal without the approval of Armco.

39. All attempts between the parties to reach an agreement have finally terminated through United's asserting that Armco's approval was required and that Armco's approval could not be secured.

40. The Armco-United agreement of May 4, 1928, made provision for granting of licenses to mill builders in addition to United, and including Mesta Machine Company, [fol. 225] and in several respects changed the Armco-United agreement (Plaintiff's Exhibit D).

41. No license was ever granted to Mesta or any other mill builder pursuant to the provisions of the Armco-United agreement.

42. The Armco-United agreement of May 4, 1928, was cancelled within less than two months of its date, namely, on June 23, 1928, by the third Armco-United agreement of that date.

43. The Armco-United agreement of June 13, 1929, contains only one article to which Cold Metal has raised any objection, namely, Article 4, which reads as follows:

"United Engineering & Foundry Company, hereby agree for themselves and their representatives and assigns, to make no change in the above-mentioned contract, 'Exhibit EA', with the Cold Metal Process Company (this being the June 1927 agreement), nor to cancel the same, without previously having secured the written consent of The American Rolling Mill Company."

44. Article 4 of the Armco-United agreement, Plaintiff's Exhibit G, does not prevent Cold Metal from granting to United the exclusive license defined in the June, 1927, agreement, or otherwise interfere with the carrying out of the 1927 agreement, its only prohibition being against changing or cancelling that agreement without the written consent of Armco.

45. United never received any royalty or other payment from Armco under any of its several agreements with Armco.

46. The parties have negotiated since the 1927 agreement was made with a view to settling their differences either under the 1927 agreement or by some plan different from the 1927 agreement.

[fol. 226] 47. In the early part of 1928, United proposed to pay a royalty to Cold Metal under the 1927 agreement on a basis of \$500 for the first 18 inches of length of roll

face plus \$65 per inch for each inch over 18 inches, which rate was tentatively accepted by Cold Metal but subject to a definitive agreement being submitted to Cold Metal on such basis by United.

48. No agreement as contemplated in the preceding fact finding was ever executed. At this time United heard of the Bridgeport Keating mill and suggested to Cold Metal that Cold Metal drop the idea of securing an enforceable patent or of collecting royalty.

49. Cold Metal refused to consider United's plan to drop the matter and asserted its intention to secure and enforce all patent rights that it might have.

50. United, thereupon, insisted that the validity of any claims for the Steckel mill would have to be litigated before any royalty would be paid by United. It has persisted in this position up to the time of the filing of the supplemental bill in this case and has refused to regard the decision in 2506 as establishing the validity of the patent.

51. There have been negotiations between the parties since the decision in 2506 and prior to the filing of the original bill of complaint herein and in all such negotiations United has insisted that in any arrangement to be made United should pay no moneys to Cold Metal until Patent No. 1,779,195 had been litigated in a court of last resort.

52. Cold Metal was willing to waive royalties until the patent should be validated but only if this condition should be a part of a plan of settlement outside of the 1927 agreement which would be acceptable to Cold Metal in all other respects.

[fol. 227] 53. United, in negotiations since the decision in 2506, has refused to accept that decision as determining the validity of the patent.

54. The 1927 agreement named three arbitrators who were to determine the payment to be made by United to Cold Metal. Two of these arbitrators died and the third has signified his refusal to serve in the capacity of arbitrator. Subsequent to the decision in 2506, Cold Metal and United have called upon the other to suggest the names of arbitrators which would be acceptable to United and Cold Metal but have not been able to reach an agreement.

55. In January, 1928, United learned of the Bridgeport mill.

56. Negotiations for settlement of the June, 1927, agreement were interrupted on March 7, 1931; the date of filing of the bill in 2506, and by the pendency of that suit until October, 1933.

57. In 1934 Cold Metal turned over negotiations for settlement to a firm in New York known as Sale, Ashman & Benedict.

58. Cold Metal has been willing to consider that the validity of the patent be made a part of a new agreement.

59. Patent licensing agreements normally contain a number of covenants lacking in the 1927 agreement as to the term of the agreement, the territory covered by it, the amount and time for the payment of royalty, the rights and obligations of the parties as to prosecuting infringers and litigating the patent and the disposal of any moneys recovered from any infringer and as to the control of such litigation and provisions as to the granting of sub-licenses. [fol. 228] 60. United made guarantees to its customers, Jones & Laughlin Steel Corporation and Youngstown Sheet & Tube Company, wherein United agreed that if the customer would have to pay royalties under Cold Metal's patent, United would exert its influences to minimize such royalties.

61. United made guarantees to other of its customers in which it undertook to defend such customers against suits for infringement under Cold Metal's patent.

62. United offered its services to the American Sheet & Tin Plate Company in the suit against it by Cold Metal in New Jersey, which did not involve Patent No. 1,779,195.

63. Full knowledge of the contents of guarantees by United to its customers did not become known to Cold Metal until the hearing on preliminary injunction in this case.

64. The decision of the Circuit Court of Appeals determining that the suits filed by United were not in good faith was made September 27, 1935, and United petitioned for a rehearing which was denied November 8, 1935.

65. The decision on United's petition for rehearing was decided November 8, 1935, and the trial of Cold Metal v. American Sheet & Tin Plate Company and United States Steel Corporation in New Jersey commenced November 14, 1935, and continued until the latter part of December and

thereafter Cold Metal's counsel was engaged in the preparation of briefs in that case.

66. Mr. Hunt was a trained engineer and the assistant to the president of the Weirton Steel Company, a subsidiary of the National Steel Corporation.

[fol. 229] 67. Weirton Steel Company was one of a very few companies having experience with the Steckel mill and Mr. Hunt was peculiarly qualified to testify both with respect to the Steckel mill and the prior practice in sheet rolling.

68. A substantial portion of the steel that is hot-rolled by National is subsequently cold-rolled.

69. Under the agreement with National Steel Corporation Cold Metal is entitled to collect a royalty under its patents other than No. 1,779,195 on all material which is subsequently cold-rolled.

70. Under the agreement made with National Steel Corporation, Cold Metal received other substantial and important considerations than the services of Mr. Hunt as follows:

- a. Cash advance approximately \$100,000.00.
- b. An order for two additional mills.
- c. The agreement of National Steel Corporation to respect the validity of Patent No. 1,779,195 and other Cold Metal patents.
- d. An arrangement whereby a tonnage royalty was to be collected under other patents pertaining to cold rolling. Under this arrangement Cold Metal has subsequently collected large royalties.

71. It was an important advantage to Cold Metal to secure recognition of its patents and to establish a tonnage royalty arrangement with some large steel-producing companies and it was willing to make concessions toward that end.

72. Cold Metal made substantially similar agreements with other steel companies who at the same early date agreed to pay tonnage royalties, including Allegheny Steel Company and Inland Steel Company.

[fol. 230] 73. On September 9, 1932, Cold Metal, for the purpose of securing the testimony of Clinton H. Hunt as an expert witness for it in the trial of the proceeding in

this court at No. 2506, wrote to Mr. J. C. Williams, president of Weirton Steel Company, as follows:

"We spent several hours yesterday with Mr. Hunt discussing the four-high roller bearing mill case, as well as other matters which Mr. Hunt took up with reference to the mill recently ordered. This letter is for the purpose of confirming certain statements and promises which were made to yourself and to Mr. Hunt, and I am also mentioning another matter which I would like to ask you to consider.

"The request I made to Mr. Weir and yourself was that we be permitted to call Mr. Hunt to give expert testimony in connection with the infringement suit now pending against the United Engineering & Foundry Company involving patent #1,779,195 issued October 21, 1930, covering the four-high roller bearing mill. I stated at that time that if this were done such cooperation would be taken into account in connection with any royalties which would be assessed under this patent.

"You have agreed to permit us to use Mr. Hunt for as much time as may be necessary in connection with this case, such services to be without cost to us; provided, however, that under said patent we agree not to assess any royalty covering four-high roller bearing stands, hot or cold, used in your continuous mills now located at Weirton and Detroit, when power for operating the stands is applied directly to the rolls; also single stand four-high roller bearing cold mills, when power for operating the mills is applied directly to the rolls and when used for the so-called pinch or tempering pass.

"We also agree to prepare a formal licensing agreement for the use of Steckel mills, both hot and cold, in favor of the National Steel Company for use in [fol. 231] plants located at Weirton, West Virginia, Detroit, Michigan, or in the Chicago, Illinois district. This agreement will be prepared within the next ten days and submitted to you. It will carry a complete list of royalty rates covering low carbon simple steel, including the rate of 10¢ per base box for strip to be used for tinning purposes. It will also provide that

royalty rates are at all times to be as low as given to any other steel manufacturer in the United States.

"The new point which I wish to now bring up is that in consideration of all of the foregoing we are asking you for an advance of \$50,000.00 which we need now to take care of some obligations of this company, including expenses in connection with the infringement suit.

"We have a number of deals pending for the sale of mills and have on hand several 20" and 7½" mills which are in various stages of completion, some of which are entirely completed and paid for. If any of these deals are completed and the cash paid in immediately, our requirements will be taken care of in that manner. Incidentally, Mr. Hunt stated yesterday that you were thinking of buying a 20" mill, on which we quote a price of \$45,000.00 cash. This mill would produce at least five hundred tons monthly at .010 or .011" strip. No additional financial assistance will be needed if you buy this mill.

"However, if this is not done, we believe you will be able to make the advance suggested and that we will be able to reciprocate for the accommodation, because we have great faith that the validity of the four-high roller bearing mill patent will be sustained. Figuring as low a royalty rate as 25¢ per ton would mean a very large amount of money due on account of the operation of your mills since October 21, 1930.

"We would expect to repay the \$50,000.00 out of our income which will likely begin to amount to considerable money during the next year. However, in any [fol. 232] event it would be repaid by having you retain a reasonable percentage of the royalty payments which will be due us from month to month. We would not want this to exceed fifty percent of these royalty amounts, but at this rate if you are using two or three Steckel mills the full amount would be returned within a reasonable time."

On October 5, 1932, Cold Metal wrote The National Steel Company as follows:

"This letter will confirm our agreement under which we are to have your assistance in connection with our infringement suit against the United Engineering & Foundry Company, involving the Steckel patent on the 4-high roller bearing mill stand, which is set for hearing in the Federal Court at Pittsburgh October 17th.

"You have agreed to permit us to use Mr. C. H. Hunt, of your organization, as an expert witness and to make him available before and during the trial of this case for as many days as he may be needed. It is our understanding that Mr. Hunt will be prepared to testify fully as to his experience with all types of rolling mills, including the 4-high roller bearing mill.

"We agree not to hold you for any royalty for the use of these mill stands in your continuous mills and/or single stands when used only for the purpose of giving the pinch pass.

"We further agree that for any further installations of the continuous mills at any of your subsidiary plants, no royalty shall be charged under this 4-high roller bearing mill patent, which is No. 1,779,195, covering stands when used in the so-called continuous mills or for a single stand when used only for the pinch pass."

74. Pursuant to the arrangement made for the testimony of Clinton H. Hunt, as evidenced by the letters of September 9, 1932, and October 5, 1932, Clinton H. Hunt testified as a witness for Cold Metal in the proceeding in this court at No. 2506, and his testimony was material.

[fol. 233] 75. Mr. Hunt received no personal benefit from the arrangement with National Steel Corporation. There is no allegation that Mr. Hunt's testimony was not true.

76. Since the making of the 1927 agreement United has manufactured rolling mill installations under the Steckel patent having a total roll length of approximately 12,000 inches.

77. The original bill in this case was filed November 17, 1934. The answer of United was filed January 12, 1935. Hearing was held on the application for a preliminary in-

junction January 14 and 15, 1935. This Court dismissed or refused the application January 28, 1935. Plaintiff took an appeal from said decision January 30, 1935. It was argued before the Circuit Court of Appeals of this circuit May 2, 1935. The decision or decree of this Court was reversed by the Circuit Court of Appeals September 27, 1935. United's application for a rehearing was denied November 8, 1935. The supplementary bill in this case was filed May 11, 1936.

78. In the original bill plaintiff prayed, inter alia, to have the amount of money due it under the 1927 contract determined and a decree therefor. In its supplementary bill it prays for a decree declaring a rescission of the 1927 contract, or in event that this relief is refused, that the amount due plaintiff under said contract be determined and a decree entered therefor.

79. Plaintiff knew the facts upon which it now relies for a rescission at the time of the filing of the original bill, including the existence of the Mesta contract and the material provisions thereof. At the time of the trial, January 14 and 15, 1935, it saw said contract, it made no attempt to have it rescinded until the time of the filing of the supplementary bill May 11, 1936, and then only does its election to rescind appear from the alternative prayer for rescission, or in lieu thereof, determination of amount thereof due plaintiff under said contract.

80. Defendant, relying on its rights under the 1927 contract, from the time of the execution thereof and continuing until the present time, has been extensively engaged in the manufacture of the product provided for in said agreement.

81. Defendant, with a knowledge of the aforesaid facts, elected to affirm the 1927 contract and to enforce its rights thereunder until it made its alternative and conditional prayer for relief in the supplemental bill.

82. It would be inequitable to now decree rescission.

83. Patent counsel for United attended the trial of the New Jersey suit as an observer. At the beginning of the trial he told counsel for both parties (Cold Metal and American) that he would be glad to have either of them call upon him if he could be of any assistance to either of

them in supplying them with anything they needed in the trial. Counsel for Cold Metal asked for nothing from counsel for United during the trial of that case. Counsel for American asked for two things which were obtained, one being a blueprint of a United drawing and the other for some information concerning the Kriwan patent which was a prior art reference.

84. The larger and more important part of United's business is the building of mills rather than of rolls for mills. Specifically, the records show that approximately 25 to 30 per cent of United's business has been on rolls for mills during the past ten years, the remainder being on mill machinery.

85. After the filing of the original bill in this case, Cold Metal examined all the records of United concerning its patent guarantees in connection with its sale of 4-high roller bearing mills.

[fol. 235] 86. Cold Metal stands ready to restore to United a fair and reasonable value of anything received by Cold Metal from United and for which it cannot make physical restoration.

87. Under its later guarantees with its customers and particularly guarantees made since the decision in 2506, the customers have assumed to pay any royalties that might have to be paid to Cold Metal.

88. Steel companies are willing to pay reasonable tonnage royalties.

89. Rolling mills of the 4-high type are built under special order to the mill builders, usually in accordance with a customer's particular specifications and such mills are not manufactured and carried in stock.

90. A purpose of Cold Metal in entering into the 1927 agreement was to secure a partner to help it in promoting the sale and use of the Steckel mills.

91. United regards the Mesta agreement as still being in full force and effect.

92. United has not guaranteed its customers against suit or the payment of royalties under Cold Metal's patents, including 1,779,195, since the decision in 2506 and the customers have dealt with United on the basis that United

would be relieved from assuming royalties or protecting the customers.

CONCLUSIONS OF LAW

1. The preliminary injunction restraining the defendant from the prosecution of the suits in the United States District Court of the Northern District of Ohio, Eastern Division, at Nos. 4981 and 5059 in Equity and in the United States District Court for the Northern District of Indiana, at No. 510, should be made permanent.

[fol. 236] 2. Defendant does not have power, as licensee, to prosecute the infringement suits aforesaid.

3. Defendant should not be permitted to prosecute any of said suits by reason of fraud.

4. This court should not decree a rescission of the June 20, 1927 contract.

5. Plaintiff, by its affirmance of the 1927 contract is precluded, under the facts, from rescinding the same.

6. Plaintiff is entitled to a decree providing for a determination of the amount due plaintiff from the defendant to date under the 1927 contract, and to a decree fixing the basis of payment to be made thereafter.

7. Plaintiff came into court with clean hands.

8. The decree of this court at No. 2506 in Equity, adjudicates that the mills made by defendant prior to said decree were within the terms of the 1927 license contract.

9. Defendant's motions to dismiss the supplemental bill should be refused.

10. Plaintiff's motion to strike out Section 45 of defendant's answer should be refused.

OPINION

McVICAR, J.:

The facts are stated at length in the foregoing findings of fact.

June 30, 1923, Abram P. Steckel made application for a patent for the rolling of thin sheet metal. In pursuance to this application, a patent was issued October 21, 1930, No. 1,779,195. This patent was assigned to the plaintiff. April 20, 1926, Biggert and Johnson made application for a patent on the same subject matter, which was assigned to the defendant.

June 20, 1927, plaintiff and defendant made a contract, whereby plaintiff agreed, when and if the claim or claims to [fol. 237] common subject matter in the foregoing applications are granted in any patent issued to plaintiff, that plaintiff shall grant to defendant a license to make, use and sell rolling mills under such claim or claims, which license shall be exclusive to defendant for 4-high hot mills and for 4-high cold mills in which the major portion of the power required by a roll stand is supplied to the rolls directly and not through tension exerted on the material for pulling it through the rolls (with certain exceptions therein stated). It was agreed, further, in said contract, that the parties shall negotiate the payment to be made by defendant to Cold Metals for such license, when and if granted; further, that if the parties could not agree, that the matter shall be submitted to three arbitrators named; that if any of the arbitrators could not serve, that another or other arbitrators may be selected by the parties, and in event that the parties could not agree, that the arbitrators named, shall select the substitute arbitrator or arbitrators.

March 7, 1931, plaintiff filed a bill in this court against defendant at No. 2506, Equity, alleging that it was the owner of the aforesaid patent; that defendant had infringed the same, and prayed for injunction and for an accounting. Defendant filed an answer there to May 22, 1931, wherein defendant alleged that the patent of plaintiff was invalid; and further, that defendant had not infringed the same by reason of the contract of June 20, 1927. January 9, 1933, this court dismissed the bill for the reason that defendant had not infringed the patent of plaintiff on account of the license contract of June 20, 1927. (3 Fed. Supp. 120.)

Defendant took an appeal from the aforesaid decree of this court to the Circuit Court of Appeals of this circuit, which was dismissed on motion of plaintiff January 3, 1934. [fol. 238] The Circuit Court of Appeals, in an opinion by Buffington, C. J., 68 Fed. (2) 564, stated:

"... is the defendant, which has not surrendered or canceled the license, and is now enjoying the monopoly of the patent, warranted in asking this court in this appeal to convict the court below of error in its decree and here contest the validity of the patent? In

that connection we note that, assuming for present purposes the defendant could plead whatever defenses it chose, the situation of standing on its unsurrendered license and insisting on a decree which does not invalidate, and therefore leaves it in possession of a licensee's rights, it follows that, enjoying and possessing such license, the defendant is not in a position to contest the validity of its licensor's patent, the monopoly and rights to which it retains."

A writ of certiorari was refused by the Supreme Court March 5, 1934.

July 7, 1934, plaintiff brought suit against the United Steel Corporation and the American Sheet & Tin Plate Company in the District Court of the United States for the District of New Jersey, Equity 4906, charging infringement of the Steckel patent No. 1,779,195.

September 21, 1934, plaintiff brought suit against the Continental Roll & Steel Company in the United States District Court for the District of Delaware, Equity 1078, charging infringement of the Steckel patent.

October 5, 1934, plaintiff petitioned this court for the appointment of arbitrators to determine the payment to be made by defendant to plaintiff under the June 20, 1927 license contract, Misc. 808. This petition was dismissed on defendant's motion January 28, 1935.

July 9, 1934, defendant brought suit in the United States [fol. 239] District Court for the Northern District of Ohio, Eastern Division, Equity 4981, against E. W. Bliss Company and plaintiff, charging infringement of the Steckel patent.

October 3, 1934, defendant brought suit against the Illinois Steel Company, the Continental Roll & Steel Foundry Company and Hubbard Steel Foundry Company in the United States Court for the Northern District of Indiana, Equity 510, wherein the plaintiff in this case was joined as a party plaintiff, and which charged the defendants therein with an infringement of the Steckel patent.

October 15, 1934, defendant entered suit against plaintiff in the United States District Court for the Northern District of Ohio, Eastern Division, Equity 5059, for the purpose of

determining the payment due from defendant to plaintiff under the license contract of June 20, 1927.

November 17, 1934, plaintiff brought this suit against defendant, Equity 2991, wherein plaintiff sought an injunction against the defendant from prosecution of the two suits aforesaid of defendant for infringement of the Steckel patent and the suit of defendant against plaintiff to determine the payment due plaintiff under the June 20, 1927 contract; also, for a determination of the amount due plaintiff under said contract. A hearing was held on plaintiff's application for a preliminary injunction to restrain the defendant from the prosecution of the suits aforesaid. A decree was entered January 28, 1935, refusing the application of plaintiff. This decree was appealed from to the Circuit Court of Appeals of this circuit, which reversed the decree of this court September 27, 1935. (79 Fed. (2) 666.) A preliminary injunction was then issued, restraining the prosecution of the suits aforesaid.

[fol. 240] May 11, 1936, plaintiff filed a supplemental bill in this suit in which it averred, inter alia, a contract made by the defendant with the Mesta Machine Company, dated October 28, 1931. It contained prayers, inter alia, that this court enter a decree declaring a rescission of the June 20, 1927 contract; also, a prayer for alternative relief in the event of a refusal of a decree of rescission for the determination of the amount due plaintiff under said contract. After hearing, the court made the foregoing findings of fact and conclusions of law.

Plaintiff contends that the preliminary injunction restraining the defendant from prosecuting the three suits aforesaid, should be made permanent. This contention is sustained for the reasons appearing in the opinion of the Circuit Court of Appeals written by Davis, C. J., supra. The facts developed at the final hearing on this point are substantially the same as the facts developed at the hearing on the application for a preliminary injunction.

Plaintiff contends that this court should declare a rescission of the contract of June 20, 1927; further, in event that this contention is not sustained, that the court should determine the amount of the payment due the plaintiff to date under said contract by an accounting or otherwise, and the

basis for payments to be made in the future. I am of the opinion that this court should not decree a rescission of said contract. Plaintiff knew all the facts upon which it relies for rescission, including the material portions of the contract of defendant with the Mesta Machine Company, when it filed its original bill in this case November 17, 1934. Plaintiff saw the contract at the hearing before this court January 14 and 15, 1935, on its application for a preliminary [fol. 241] injunction. With a knowledge of the facts, plaintiff elected to affirm the June 20, 1927 contract and to insist upon the performance by defendant of the terms thereof until the filing of the supplemental bill, May 11, 1936. Defendant, since the making of the June 20, 1927 contract has had a substantial investment in the making of rolling mill machinery. It would be inequitable now to decree a rescission thereof. See *Nuveen v. Board of Public Instruction* (1937) 88 Fed. (2d) 175, (CCA 5); *Stuart v. Hayden*, 169 U. S. 1; *Roseboom v. Corbitt* (1912), 196 Fed. 627 (CCA 6); *United States v. Oregon Lumber Co., et al.*, 260 U. S. 290.

Plaintiff is entitled to a decree providing for a determination of the amount due to date from defendant under said contract and the basis of payment to be made thereafter. This position is in accord with the prayer contained in plaintiff's original bill and its alternative prayer in its supplemental bill in this case. It is also in accord with the prayer in defendant's bill against plaintiff in the Northern District of Ohio, Eastern Division, Equity 5059. See *Kaufmann v. Liggett*, 209 Pa. 87.

Defendant contends that the original and supplemental bills should be dismissed because plaintiff did not come into court with clean hands. The claim is that in the proceedings at No. 2506 Equity, in this court, wherein plaintiff sued defendant for infringement of the Steckel patent, that Clinton H. Hunt, assistant to the president of the National Steel Corporation, in pursuance of a contract made by said corporation with plaintiff relating to a license under plaintiff's patents, agreed that Hunt should testify for plaintiff in said patent case and that Hunt did so testify. There is no allegation or proof that Hunt was to testify falsely or that he did so testify. There is no evidence that the [fol. 242] consideration for his testimony was unconscion-

able. It is proper for a litigant to pay substantial sums for expert testimony. *Jacoby v. Brooklyn Q. C. & S. R. Co.*, 138 N. Y. S. 486. In Pennsylvania it has been determined that a witness cannot be compelled to testify as an expert by a private litigant. *Pennsylvania Company for Insurance of Lives & Granting of Annuities v. Philadelphia*, 262 Pa. 438.

The court has found, as a fact, that plaintiff did not come into court with unclean hands. This finding is supported by the evidence. It should also be noted that the contention of plaintiff applies to the proceedings in the patent suit at No. 2056 and not to the present suit.

Defendant contends that an agreement was made with the plaintiff in January, 1928, whereby the amount to be paid plaintiff for a license under the 1927 license contract was agreed upon. This contention is not sustained. The letter of Steckel, relied upon as containing an acceptance of defendant's offer, specifically stated that the schedule of royalties were to appear "in a definitive agreement which the attorneys will draw up." The parties did not consider that the letters relied upon by defendant constituted a contract agreement. They carried on negotiations from the date of the alleged contract up to and after the filing of the bill in this case for the purpose of determining the payment to be made to plaintiff by defendant under said contract; and also for the purpose of making a new contract on terms mutually agreeable. See *Maitland v. Wilcox*, 17 Pa. 231 (1851); *Brown v. Finney*, 53 Pa. 373 (1866); *Sparks v. Pittsburgh Co.*, 159 Pa. 295 (1893); *Wilson v. Pennsy Coal Co.*, 269 Pa. 129 (1920).

Plaintiff contends that the decision of this court at 2506 is res judicata only that the 4 mills then before the court [fol. 243] were within the terms of the license contract of 1927. In plaintiff's bill at 2506, it is alleged that plaintiff is the owner of the patent in suit, 1,779,195, and that defendant infringed said patent. The bill prayed for an injunction and an accounting. Defendant, in its answer alleged, as a defense, the invalidity of said patent and that the mills made and sold by it, were mills included in the license contract of 1927. The issue, therefore, was raised—whether the mills made and sold by defendant were within the terms of said contract? This court found in 2506 that

the 1927 contract "was not rescinded prior to the filing of the bill in this case, and at that time was a valid, subsisting contract between the parties." The court further found, that "defendant has not infringed the patent in suit. The acts, aforesaid, which would have constituted an infringement, are valid and proper under the license agreement of June 20, 1927." The court found in its conclusions of law that defendant had not infringed the patent in suit and that the contract of June 20, 1927 between the plaintiff and defendant is a valid, subsisting contract. The decree entered was "that the bill be dismissed at the cost of the plaintiff."

Plaintiff filed a petition for a reargument which contained the following prayer:

"(b) That the decree entered by this Honorable Court on January 9, 1933 be vacated and a new decree entered reinstating plaintiff's bill so as to give full, proper and legal effect to the application and scope of the license agreement between the parties hereto dated June 20, 1927, by finding that the contract of June 20, 1927 does not apply to claims Nos. 8, 9, 10, 12 and 16 of the patent in suit, or any of them, and that defendant has infringed each of said claims; enjoining defendant from further infringement of said claims [fol. 244] and ordering an accounting thereunder; and that the findings of fact and conclusions of law already made by the Court inconsistent therewith, be vacated and in lieu thereof other findings of fact and conclusions of law be made which will support the new decree."

A rule was granted on the petition of the plaintiff, aforesaid, and the petition was dismissed by the court after hearing. Plaintiff did not take an appeal. The decree at 2506 adjudicates that the mills made by the defendant prior to the decree, were within the terms of the license contract of 1927.

Let a decree be prepared and submitted in accordance with the foregoing findings of fact, conclusions of law and this opinion.

[fol. 245] IN THE UNITED STATES CIRCUIT COURT OF AP-
PEALS FOR THE THIRD CIRCUIT, OCTOBER TERM, 1938

No. 6700

COLD METAL PROCESS COMPANY, Plaintiff-Appellant,

v.

UNITED ENGINEERING & FOUNDRY COMPANY, Defendant-
Appellee

Appeal from the District Court of the United States for
the Western District of Pennsylvania

OPINION—Filed June 15, 1939

Before Davis, Buffington and Thompson, Circuit Judges
BUFFINGTON, Circuit Judge:

This is an appeal from the decree of the District Court
holding the agreement of June 20, 1927¹ to be a "valid and

¹

This Agreement

Made at Pittsburgh, Pennsylvania, this 20th day of June
1927, by and between The Cold Metal Process Company, an
Ohio Corporation, of Youngstown, Ohio, hereinafter called
"Cold Metals"; and United Engineering & Foundry Com-
pany, a Pennsylvania Corporation, of Pittsburgh, Pennsyl-
vania, hereinafter called "United",

Witnesseth That:

Whereas, both parties own certain applications pending
in the United States Patent Office relating to 4-high rolling
mills and the rolling of thin material; and

Whereas, it has been suggested to the parties by their at-
torneys that it may be possible to secure claims to a cer-
tain subject-matter common to both parties' applications:

Now, Therefore, in consideration of the sum of one dol-
lar (\$1.00) and other good and valuable consideration paid
by each party to the other party, the receipt of which
is hereby acknowledged, and in further consideration of
the mutual covenants hereinafter contained, the parties

subsisting contract" for an exclusive license to United Engineering and Foundry Company, hereinafter called United, under the Steckel patent No. 1,779,495.

[fol. 246] This litigation between the parties has been here twice before. The first suit was filed March 7, 1931 in the District Court for the Western District of Pennsylvania for the infringement of the patent issued to A. P. Steckel, October 21, 1930, or "an improved rolling mill and method whereby superior results are obtained." The Court held that United was not guilty of infringement of the patent because it had a valid license under the patent. An ap-

hereto agree for themselves, their successors and assigns, as follows:

1. The parties will, through their appropriate officers, immediately hold a conference at which their patent attorneys, Byrnes, Stebbins & Parmelee, shall be authorized by both parties to suggest claims covering certain subject-matter common to both parties' applications, and which it is understood are not at the present time being presented in Cold Metals applications; together with a plan for securing the allowance of such claims;

2. Cold Metals shall not, after such conference, present in its application claims of the scope suggested at the conference, or directed to the subject-matter common to both parties' applications, if such claims are broader or of different scope than the claims now presented in Cold Metals application, except with the agreement and cooperation of United.

3. When and if such claim or claims to common subject-matter are granted in any patent issued on Cold Metals' applications, Cold Metals shall grant to United a license to make, use and sell rolling mills under such claim or claims, which license shall be exclusive to United for 4-high hot mills and for 4-high cold mills, in which the major portion of the power required by a roll stand is supplied to the rolls directly and not through tension exerted on the material for pulling it through the rolls; Cold Metals, however, reserving the right to make or have made for its own use and to use in its own plant or plants such hot and cold mills, and provided further that Cold Metals shall have the

peal from the decree was taken to this court which dismissed the bill of complaint on the ground that United was "en-[fol. 247] joying and possessing such license" under the patent and, therefore, it could not attack its validity.

The second suit was begun November 17, 1934 by Cold Metal in the District Court for the Western District of Pennsylvania for specific performance of the agreement and for an injunction restraining United from prosecuting two suits which it had begun, one in the Northern District [fol. 248] of Ohio and the other in the Northern District of

right to make, use, and sell, or to license others to make, use, or sell, such 4-high hot mills in combination with means for coiling the rolled strip between passes as described in the pending application of A. P. Steckel, Serial No. 198,915, filed June 15, 1927.

4. Immediately after such conference and without waiting for such claims to be secured, the parties shall negotiate the payment to be made by United to Cold Metals for such license, when and if granted. If the parties cannot agree upon such payment, the matter shall be submitted to three arbitrators, whose majority decision shall be accepted as final by both parties. The three arbitrators shall be as follows:

Marshall A. Christy, of Pittsburgh, Pa.

Rollin C. Steese, of Youngstown, Ohio.

Charles H. Booth, of Youngstown, Ohio.

In case any of the arbitrators cannot serve, another or other arbitrators may be selected by the parties, but in case the parties cannot agree on such substitute arbitrator or arbitrators, then the above named arbitrators shall select the substitute arbitrator or arbitrators.

In Witness Whereof, the parties hereto have caused this agreement to be signed, sealed and delivered as of the day and year first above written.

The Cold Metal Process Company, By A. P. Steckel,
President. (Seal.)

Attest: W. H. Kilcawley, Secretary.

United Engineering & Foundry Company, by F. C.
Biggert, Jr., President. (Seal.)

Attest: Charles E. Satler, Secretary.

Indiana. The District Court refused the injunction, but this court on appeal in the case as then made,—evidence of the plaintiff alone being before it, no testimony having been offered by United—reversed the decree, granted the injunction and said that the 1927 agreement could not be performed because its terms were too indefinite.

A supplemental bill was filed by Cold Metal on May 11, 1936 in the Western District of Pennsylvania. Cold Metal in this suit refused to elect either to affirm or disaffirm the agreement. It took the position that the court should rescind the agreement, but if it did not, then, in the alternative, it should grant specific performance. United moved to dismiss the bill of complaint, but the court refused the motion without prejudice. An answer was then filed and the case came on for final hearing.

The court refused the prayer for rescission and injunction, but granted the pray for specific performance and provided in its decree for the appointment of a master to ascertain the amount of damages due Cold Metal under the agreement by United. The case is here on appeal from that decree.

[fol. 249] Cold Metal in its bill of complaint filed October 15, 1934, charged United with fraud in several particulars and renewed them in its supplemental bill filed May 11, 1936. This is one of the main grounds on which it relies to rescind the agreement.

On the hearing on motion of Cold Metal for a preliminary injunction on the record then before us we thought that the charge of fraud might be sustained, but on final hearing, when the charges have been answered and explained by United, we have before us quite a different case.

Cold Metals says an agreement which United made with the Mesta Machine Company, hereinafter called "Mesta", on October 28, 1931, shows fraud on the part of United. In our opinion filed September 27, 1935 on the motion of Cold Metal for a preliminary injunction, we said that this was a "secret agreement" between United and Mesta; that "Cold Metal did not know of this agreement until it came out at the hearing in the proceedings by Cold Metal against United for a preliminary injunction in 1934 in equity suit No. 2506". But the learned District Judge on final hearing after full testimony by both sides, has found, and we think on sufficient evidence, that Cold Metal knew of the

agreement between Mesta and United before it filed the original bill on November 17, 1934. In any event this agreement did not seem to Cold Metal to be important for it was not until May 11, 1936, nearly a year and a half after it knew of this agreement, that it decided to do anything about it. Then it filed the supplemental bill seeking to rescind the agreement and at that time urged that the Mesta-United agreement was after-discovered evidence entitling Cold Metal to a rescission, but the trial judge did not think this contention meritorious and on the record as it now appears, we think he did not err.

United and Mesta are the largest builders of 4-high mills, building about 95% of the output. Mesta has never regarded the Steckel patent 195 as valid and has never paid any attention to it. Cold Metal admitted that "Mesta made [fol. 250] quite a number of requests over a considerable period of time for Cold Metal to sue it", but for some reason it was never done, although Cold Metal did on March 7, 1931 sue United as an infringer of the Steckel patent and repudiated the 1927 agreement (Suit No. 2506). In view of this fact it is not surprising that United entered into an agreement with Mesta for mutual protection. Cold Metal itself entered into an agreement with Mesta giving it "equal rights with United" on March 20, 1933, three years before the supplemental bill was filed to rescind the 1927 agreement.

There is really nothing in the agreement between United and Mesta to which Cold Metal could reasonably object. In substance it provided that if the 1927 agreement was not sustained in the pending suit, Mesta would try to secure a license from Cold Metal and would give United a sub-license, but, on the other hand, if the 1927 agreement was sustained, United would, upon request by Mesta, and to the extent that it legally could, grant Mesta a sub-license on the same royalty basis that it had. But as a matter of fact no request was ever made by Mesta. The trial judge refused to find fraud in this transaction and in this we can not convict him of error.

The second ground on which Cold Metal seeks to rescind the 1927 agreement was the making of certain contracts by United with the American Rolling Mill Company, herein-after called "Armco".

United entered into four agreements with Armco and the following provision contained in the fourth agreement of June 13, 1929 seems to be the only provision to which Cold Metal objects:

"United Engineering & Foundry Company hereby agree for themselves and their representatives and assigns, to make no change in the above-mentioned contract, 'Exhibit EA', with the Cold Metal Process Company (the agreement of June 20, 1927), nor to cancel [fol. 251] the same, without previously having secured the written consent of the American Rolling Mill Company."

This provision could in no respect change or affect the rights of Cold Metal *under the 1927 agreement*. On the contrary it was an additional guaranty that its rights would not be changed and to this Cold Metal has no right to object. The negotiations disclose the fact that Cold Metal was anxious to have the 1927 agreement modified or rescinded and it is readily understood why it disliked the Armco agreement which prevents any modification or rescission of the 1927 agreement without the consent of Armco. All that the Armco agreement did was to assure Armco that the 1927 agreement would not be changed or terminated without its consent. This might prove to be inconvenient or disadvantageous to Cold Metal or even to United, but it does not constitute bad faith or fraud and apparently did not prove to be advantageous to United for the District Court found that United never received any royalties from Armco and that the Armco agreement did not in any respect change the 1927 agreement or prevent it from being carried out.

Cold Metal also charges that the conduct of United in two suits brought by Cold Metal in New Jersey was fraudulent.

The first suit was against the United States Steel Corporation, hereinafter called the "Steel Corporation", and American Sheet & Tinplate Company, hereinafter called the "Tin Plate Company". This suit involved other Steckel patents than patent No. 1,779,195, commonly called the "195" patent. This appears to be the only Steckel patent in which United was interested. The Steel Corporation

wanted United to assist in defending this suit in so far as it related to equipment sold by it to the Tin Plate Company, but the 1927 agreement and the guaranties of United to the Tin Plate Company were not involved in this suit [fol. 252] and United replied, saying, in substance, that it was not interested. The president of the Tin Plate Company asked United to share in the cost of the suit. United said that it was not required under its guaranties "to defend or pay any part of the defense of the suit," yet it was willing to pay for the time its own patent counsel spent in assisting in the preparation and trial of the case. This was a perfectly natural position for United to take in view of the fact that Cold Metal three years before had sued it as an infringer of the Steckel patent '195, had repudiated the agreement of June 20, 1927, and had sought to rescind it.

On June 5, 1934, United asked Cold Metal to join in a suit against the E. W. Bliss Company in the Northern District of Ohio for the infringement of the Steckel patent '195. While United was waiting for Cold Metal to decide whether or not it would join in the suit, Cold Metal, on July 7, 1934, filed its second suit in New Jersey against the Steel Corporation and the Tin Plate Company for the infringement of Steckel patent '195 on account of equipment or material sold them by United.

On July 18, 1934 United was notified by the Steel Corporation and the Tin Plate Company that it should come in and defend the suit. Fish, Richardson & Neave, counsel for the Steel Corporation, asked United to send them all defendant's exhibits in the prior suit of No. 2506. Cold Metal consented that this be done. Counsel for United told counsel for both parties to the suit that he was there as an observer only and if he could be of any assistance in supplying them with anything, he would be glad to have them call upon him. Cold Metal asked for nothing. Counsel for the Steel Corporation "asked for two formal papers". One was a blue-print of some drawings of United and the other was a paper referring to a prior art patent. These were not among the exhibits in suit No. 2506 and in furnishing them, United perhaps went beyond the consent of Cold Metal, but these papers amounted to nothing and do not [fol. 253] constitute a basis for a charge of fraud or rescission of the 1927 agreement. United did not contribute any

money at all toward the expenses of any of the New Jersey suits.

We do not think that the conduct of United in the two suits brought in New Jersey was fraudulent or showed bad faith.

This court on the record before us on appeal in the hearing for a preliminary injunction found that United did not act in good faith in bringing the suit against the E. W. Bliss Company in Ohio and the Continental Roll & Steel Foundry Company in Indiana. On final hearing the District Court apparently felt constrained to follow this court in so finding. It had refused so to find when the case was before it in the first place. John F. Oberlin, Esq., who represented United in bringing those suits, testified that he was instructed to try these cases to the best of his ability, "to the end of enforcing the patent ('195); that he was told by the officials of United, by its general counsel, C. F. C. Arensberg, Esq., and by the general patent counsel of United that every resource that United had were at his hand, and any assistance or cooperation that he might ask for would be furnished, to the end of successfully trying the case." On principle and comity, and especially on the record as it now stands before us, freed as we think from fraud, we feel that the questions which are justiciable before the District Courts of Ohio and Indiana should be left to those courts without interference from the courts of this circuit.

Cold metal further says that the agreement of 1927 should be rescinded because United has been guilty of bad faith with it in negotiations for settlement.

It contends that United's insistence that the Steckel patent '195 be held by a court of last resort as a condition precedent to settlement of the royalties shows bad faith.

It is a fact that the other companies which build 4-high mills, Mesta and Bliss, have entirely disregarded the [fol. 254] Steckel patent and contend that it is invalid, especially in view of the use for years in mills in Bridgeport, Connecticut, of "backing-up rolls, mounted in roller bearings." The persistent refusal of competing companies to pay any attention to the patent and the neglect or refusal of Cold Metal to sue them furnished in the mind of United a reason for not paying royalties under the agreement until the validity of the patent had been established. The

evidence indicates rather conclusively that it was the original intention of the parties that United should not pay royalties under the agreement until the patent had been declared valid by a competent court. Consequently there is nothing in this charge establishing bad faith.

Cold Metal says that the license is invalid because the agreement of 1927 does not prescribe temporal or territorial limits for it. We do not think that this objection invalidates the license. It is to be a license under the patent and in the absence of anything to the contrary, the license is implicitly coextensive in time and territory with the patent.

It is now impossible to restore Cold Metal and United to their status quo at the time they entered into the agreement on June 20, 1927 when each had an application in the Patent Office for 4-high roller bearing mills, and neither knew which record date was earlier or what claims were included or disclosed in the application of the other. Application for the Steckel patent had been assigned to Cold Metal and the Biggert and Johnson application had been assigned to United. As a result of the agreement of 1927 United was deprived of the right to contest the granting of the claims which were copied from its own (Biggert & Johnson) application into the Steckel patent. Under such circumstances, even though a party has not fully performed his contract according to its legal effect, the contract will not be rescinded if it has been partly performed and the parties would be embarrassed and the status quo cannot be restored. *Blake v. Pine Mountain Iron & Coal Co.*, 76 F. 624; *Kauff- [fol. 255] man v. Raeder*, 108 F. 171; *Dold Packing Co. v. Doerman*, 293 F. 315; *American Land Co. v. City of Keene*, 41 F. (2d) 484.

Neither will a rescission be made where reliance has been upon a contract and considerable money, as here, has been spent in consequence. The lower court said: "Defendant, since the making of the June 20, 1927 contract has had a substantial investment in the making of rolling mill machinery. It would be inequitable now to decree a rescission thereof."

There is no provision in the 1927 agreement for the forfeiture of the license on account of a breach thereof and in the absence of such a provision courts will not rescind

the license except where one of the parties has abandoned the contract or done something so gravely violative of its terms that irreparable injury has resulted to the plaintiff. *Slezak v. Andrews*, 21 F. Supp. 688; *Oscar Barnett Foundry Co. v. Crowe*, 219 F. 450.

The agreement of June 20, 1927 was entered into under peculiar circumstances. Both parties to the litigation were at that time represented by the same firm of lawyers. Both parties were applying for a patent. Neither knew what claims, if any, were contained in the other's application. Steckel filed his original application on June 30, 1923 for a patent on an improved rolling mill. Biggert and Johnson filed an application for a backed-up 4-high roller bearing mill on April 20, 1926. In May 1927, counsel came to realize that they were represented conflicting interests and without disclosing to either party the contents of the application of the other, suggested that a meeting be held to see if an agreement could be entered into to protect the interests of both parties and to avoid litigation. This meeting resulted in the agreement of June 20, 1927.

On May 23, 1928, without the consent of United, Steckel filed an amendment in which he copied into the Steckel application claims 1 to 4 and 6 to 13 of the claims of the Biggert and Johnson patent and requested an interference to [fol. 256] be declared between the Steckel and Biggert and Johnson applications. In this situation, it is alleged that it was agreed that neither party would file any preliminary statement. They thus avoided disclosing to the public their record dates which would allow Steckel to win on his date.

United alleges that it was not until the following year, 1929, that it learned what the Steckel application contained and was advised by new counsel that there was no basis in it for certain of the claims which had been copied from Biggert and Johnson. United in consequence tried to reopen the interference, but did not succeed because of the long delay. The only benefit which United received for its forbearance to contest the interference proceeding was the exclusive license which it secured by the agreement of June 20, 1927. This United is seeking to retain and Cold Metal is seeking to take away. Each party in signing the agreement doubtless thought it was getting something from, and

was giving something to, the other. The one was getting a patent; the other an exclusive license under it. Cold Metal is unwilling to surrender the Steckel patent and United cannot be asked to give up its exclusive license. Cold Metal with a patent and United with an agreement giving it an exclusive license are in the position in which they placed themselves and we should leave them there. The agreement of 1927 is, as Judge McVicar found, "a valid and subsisting contract" for a license. This "contract" has been partly performed and equity requires that it be completed by supplying the amount which United must pay for the license in accordance with the intention of the parties. *Kauffman v. Liggett*, 209 Pa. 87; *Castle Creek Water Company v. City of Aspen*, 146 F. 8; *Gunton v. Carroll*, 101 U. S. 426; *Joy v. City of St. Louis*, 138 U. S. 1. The evidence shows what that intention was, for the parties had an "understanding" as to what the royalties would be and what that understanding was can readily be ascertained from the evidence by the master appointed or to be appointed by the District Court.

[fol. 257] The learned District Judge did not err when he held the agreement to be a "valid, subsisting contract," and so regarding, the decree as modified is affirmed.

[fol. 258] DISTRICT COURT, W. D. PENNSYLVANIA

No. 2991

COLD METAL PROCESS CO.

v.

UNITED ENGINEERING & FOUNDRY CO.

OPINION—February 18, 1942

McVICAR, District Judge:

This action is now before us on the motion of the defendant filed June 20, 1941, for permission to file and serve upon the plaintiff a second supplemental answer and counterclaim, a copy of which is attached to the motion.

In the proposed second supplemental answer and counterclaim it is averred, inter alia, that the plaintiff and the Carnegie-Illinois Steel Corporation, August 30, 1940, entered into an agreement whereby said Carnegie-Illinois Steel Corporation and its subsidiaries were granted an unlimited non-exclusive license and release under patent No. 1,779,195 of the plaintiff; that the defendant is not required to account for the value of the license which it holds under the aforesaid patent until said patent is held valid by a court of competent jurisdiction; that the contract, aforesaid, was in violation of the rights of the defendant and was an injury to it; that the plaintiff is soliciting contracts of the same nature from other metal manufacturers and that the facts averred constitute an irreparable injury to the defendant. In said answer and counterclaim it is prayed: First "that no further proceeding be taken with respect to any payments alleged to be due from the defendant to the plaintiff" by reason of the conduct alleged. The second prayer, in the alternative, is that no further proceedings be taken until the patent aforesaid has been held valid and has been enforced by a court of competent jurisdiction; and the third prayer is for an injunction from offering to other metal manufacturers similar agreements. There also is a prayer for general relief.

The first suit of the plaintiff against the defendant on the aforesaid patent was filed in this court March 7, 1931. 3 F. Supp. 120. Defendant filed an answer, alleging that said patent was invalid and a second defense, only, if the patent is found valid; that it holds a license from the plaintiff, and, therefore, is not an infringer. This court held that the patent was valid; that the defendant had not infringed the patent by reason of a license issued by the plaintiff to the defendant under agreement of June 20, 1927. The appeal taken to the Third Circuit Court of Appeals was dismissed.

November 17, 1934, plaintiff brought a second action against the defendant to restrain the defendant from proceeding with certain actions in other districts, wherein the question of validity of the aforesaid patent was raised and for the specific performance of the aforesaid license agreement. This court refused plaintiff's application for

a preliminary injunction. On appeal, the decree of this court was reversed.

[fol. 259] Upon a final hearing in said case, this court found that the aforesaid agreement was a valid, subsisting agreement between the parties; that the plaintiff was entitled to an accounting for the value of the license which defendant held thereunder and granted an injunction restraining the prosecution of the aforesaid actions. On appeal, the court found that that part of the decree restraining the defendant from the prosecution of suits in other district courts should be set aside and that the agreement of 1927 is "a valid and subsisting contract" for a license. This 'contract' has been partly performed and equity requires that it be completed by supplying the amount which United must pay for the license in accordance with the intention of the parties."

The Court's mandate read: "the decree of the said District Court in this cause be, and the same is hereby modified in accordance with the opinion of this Court, and when so modified, affirmed with costs."

On appeal from a decision of the District Court of New Jersey, the Circuit Court of Appeals of this circuit found that the aforesaid patent was valid. 108 F.2d 322.

Subsequently, the plaintiff entered into the contract dated August 30, 1940 with the Carnegie-Illinois Steel Corporation, wherein it was set forth that the plaintiff was the owner of four patents, one of which was the aforesaid patent; that the rights of the plaintiff in the aforesaid patent was subject to the agreement with the defendant dated June 20, 1927. It was agreed that the plaintiff granted to the Carnegie-Illinois Steel Corporation and to all its subsidiaries, an unlimited, non-exclusive right and license under the aforesaid four patents. It was also agreed therein by plaintiff to hold the Carnegie-Illinois Steel Corporation and its subsidiaries harmless against any right asserted by defendant under the agreement of June 20, 1927.

After the execution of said contract, the Circuit Court of Appeals withdrew its aforesaid opinion finding the aforesaid patent valid, and directed the District Court to dismiss the bill pending before it on the ground that the subject matter thereof was then moot.

Defendant relies, as authority for its right to file this

second supplemental answer and counterclaim, on Rule 15(d), Federal Rules of Civil Procedure, 28 U.S. C.A. following section 723c, which reads: "Upon motion of a party the court may, upon reasonable notice and upon such terms as are just, permit him to serve a supplemental pleading setting forth transactions or occurrences or events which have happened since the date of the pleading sought to be supplemented."

The Supreme Court of the United States in *Mackall v. Richards*, 116 U.S. 45, 47, stated: "A motion was made by Mackall in the court below, after the mandate was received, for leave to file what was called a 'supplemental bill,' but which was in reality a supplemental answer to the original bill, setting up new defenses growing out of matters occurring since the original decrees. This was properly denied. No discretion was left in that court to grant such a motion. The order of this court was in effect to enter the precise decree which has been made."

[1] In *Pocono Rubber Cloth Co. v. J. A. Livingston, Inc.*, 3 Cir., 92 F.2d 290, 291, the Court stated: "When a case in equity has been carried to an appellate court, and the mandate from that court goes down to the trial court, it is the duty of that court to enter a decree in conformity with the mandate and do nothing contrary to it or vary it. *D'Arcy v. Jackson, etc., Co.*, 6 Cir., 212 F. 889; *Richards v. Harrison et al.*, D.C., 218 F. 134, 137; *Williams v. Ansehl*, 8 Cir., 279 F. 550; *Goldwyn Pictures Corporation et al. v. Howells Sales Co., Inc., et al.*, 2 Cir., 287 F. 100, 102. In entering the decree allowing damages and profits, the District Court went beyond the law of the case and exceeded its authority." See *Durant v. Essex Co.*, 101 U.S. 555, 556.

[2] The decree of this court in this case, as affirmed by the Circuit Court of Appeals, is final and cannot now be modified or changed.

That decree provides for an accounting to determine the value of the license which defendant holds under the agreement of June 20, 1927. Any relevant acts of the plaintiff, including the acts averred in the proposed second supplemental answer and counterclaim, are proper for consideration in the determination of the value of the license received by the defendant from the plaintiff. Any right of [fol. 260] the defendant against plaintiff, other than the

value of the license under the aforesaid contract, can be properly made the subject matter of another action by the defendant against the plaintiff.

It is not necessary to determine whether defendant has been guilty of laches in the making of the motion now before us, but it appears that it had knowledge of the agreement between the plaintiff and the Carnegie-Illinois Steel Corporation about seven months prior to April 15, 1941, which is the date the Carnegie-Illinois Steel Corporation was to pay (and did pay) \$1,925,000. It took no action thereon until the making of the motion now before us.

I am of the opinion that the rights of the defendant will be fully protected by the refusal of the motion, and that under the facts and the law applicable thereto, that it should be refused.

[fol. 261] IN UNITED STATES DISTRICT COURT

MOTION UNDER RULE 12B TO DISMISS ANCILLARY CROSS-COMPLAINT IN CIVIL ACTION No. 7744—Filed by Cold Metal on April 15, 1949

Now comes the cross-defendant, The Cold Metal Process Company, appearing specially by its attorneys for the purpose of this Motion and no other, and moves, pursuant to the provisions of Rule 12b of the Federal Rules of Civil Procedure, that the "Ancillary Cross-Complaint" of cross-plaintiff, United Engineering and Foundry Company, filed March 28, 1949, in this Court, be dismissed in whole or in part for the following reasons:

1. This Court has no jurisdiction over the person of the cross-defendant, The Cold Metal Process Company, because the Complaint herein is not ancillary to Equity No. 2991 or Equity No. 2506 in this Court, and, hence, cross-defendant is not subject to service of process in this District, since said cross-defendant was an Ohio corporation and an inhabitant of the State of Ohio.

2. This Court lacks jurisdiction over the subject-matter of the Complaint if considered as supplemental or ancillary to Equity No. 2991 or Equity No. 2506 in this Court.

3. The Complaint fails to state a claim against cross-defendant upon which relief can or should be granted.

4. As is shown by the prior record and the "ancillary [fol. 262] complaint", the claims asserted in the "ancillary complaint" are barred by laches.

○ Webb, Mackey & Burden, Reed, Smith, Shaw & McClay, Attorneys for Cross-Defendant.

William H. Webb, C. B. Zewadski, John J. Heard, James R. Orr, John C. Bane, Jr., of Counsel.

Date: April 15, 1949.

[fol. 263] UNITED STATES DISTRICT COURT, WESTERN DISTRICT
PENNSYLVANIA

Civ. A. No. 7744

UNITED ENGINEERING & FOUNDRY CO.

v.

COLD METAL PROCESS CO.

OPINION—August 28, 1950

FOLLMER, District Judge:

In this action United Engineering & Foundry Company [fol. 264] (hereinafter referred to as "United") as cross-plaintiff filed its cross-complaint, supplemental and ancillary to the suit in Equity No. 2991, now pending in this Court, between the parties hereto, against the Cold Metal Process Company as cross-defendant (hereinafter referred to as "Cold Metal"). United is a Pennsylvania corporation, having its principal office and place of business at Pittsburgh, Pennsylvania, in this judicial district, and Cold Metal is an Ohio corporation, having its principal office and place of business at Youngstown, Ohio.

The cross-complaint was filed March 28, 1949, and prayed for injunctive relief and an accounting. Cross-defendant has moved to dismiss on the following grounds:

(1) Lack of jurisdiction over the person of cross-defendant, Cold Metal, because the complaint is not ancillary to

Equity No. 2991 or Equity No. 2506 in this Court, hence cross-defendant is not subject to service of process in this district.

(2) Lack of jurisdiction over the subject matter of the complaint if considered as supplemental or ancillary to Equity No. 2991 or Equity No. 2506 in this Court.¹

(3) Complaint fails to state a claim against cross-defendant upon which relief can or should be granted.

(4) Laches.

This litigation between these parties has been in progress for over twenty years and the many reported decisions² would seem to render it unnecessary at this time to engage in an extended recital of all of the factual background.

The immediate problem is a narrow one. Can this suit be considered as ancillary to either Equity No. 2991 or Equity No. 2506 in this Court?

As has been frequently stated in the reported decisions above referred to, all of this litigation had its inception in an agreement dated June 20, 1927, entered into between the parties hereto and at a time when both had applications pending in the United States Patent Office relating to 4-high rolling mills and the rolling of thin material. Both parties at that time were represented by the same firm of attorneys. The agreement sought to compose their apparently conflict-

¹ The original complaint made no mention of Equity No. 2506; however, in its briefs and oral argument cross-plaintiff subsequently claimed the suit to be ancillary as well to Equity No. 2506.

² *Cold Metal Process Co. v. United Engineering & Foundry Co.*, D. C. W. D. Pa., 3 F. Supp. 120; *United Engineering & Foundry Co. v. Cold Metal Process Co.*, 3 Cir., 68 F. 2d 564; *Cold Metal Process Co. v. United Engineering & Foundry Co.*, D. C. W. D. Pa., 9 F. Supp. 994; *Cold Metal Process Co. v. United Engineering & Foundry Co.*, 3 Cir., 79 F. 2d 666; *Cold Metal Process Co. v. United Engineering & Foundry Co.*, D. C. W. D. Pa., 83 F. Supp. 914; *Cold Metal Process Co. v. United Engineering & Foundry Co.*, 3 Cir., 107 F. 2d 27; *Cold Metal Process Co. v. United Engineering & Foundry Co.*, D. C. W. D. Pa., 43 F. Supp. 375.

ing positions; subsequent events have revealed that at least in that regard it has been a total failure.

In Equity No. 2506, in this Court, Cold Metal sued United for infringement of patent 1,779,195, referred to as "195", alleging that United was using the invention covered by that patent without right or license. United answered by claiming, inter alia, that it had a license under the patent by virtue of the contract of June 20, 1927. This Court sustained United's defense of "license" and dismissed the bill, D. C., 3 F. Supp. 120. United appealed, seeking to have the patent declared invalid. The appeal was dismissed on the ground that United, being a licensee, could not contest validity 3 Cir., 68 F. 2d 564. That, it seems to me, ended the proceedings in Equity No. 2506.

Subsequently, in Equity No. 2991, Cold Metal sued United in this Court to enjoin United from prosecuting suits as an exclusive licensee, for specific performance of the 1927 contract; and praying the Court to determine the payment required to be made by United to Cold Metal under the terms of that license contract. The case was initially heard on Cold Metal's motion for a preliminary injunction. The motion was denied, D. C., 9 F. Supp. 994, the Court finding the contract valid and enforceable, that United had an ex-[fol. 265] clusive license under the contract, and that United could sue as said licensee. Cold Metal appealed and the Court of Appeals reversed this Court's denial of the motion for preliminary injunction, 3 Cir., 79 F. 2d 666. Thereafter, Cold Metal filed a supplemental complaint praying that the Court enter a decree declaring a rescission of the June 20, 1927, contract; also a prayer for alternative relief in the event of a refusal of a decree of rescission for the determination of the amount due Cold Metal under the said contract. After final hearing, this Court on January 4, 1938, filed an opinion, D. C., 83 F. Supp. 914, refusing to rescind the contract of June 20, 1927, holding that Cold Metal was entitled to a decree providing for a determination of the amount due from United under the said contract and the basis of payment to be made thereafter; that Cold Metal did not come into Court with unclean hands; and that the June 20, 1927, contract was "a valid, subsisting contract." On appeal from this decision, the Court of Appeals, 3 Cir.,

107 F. 2d 27, on page 31, modified its earlier decision, 3 Cir., 79 F. 2d 666, as to the injunction against United restraining the prosecution of infringement suits brought by United in Ohio and Indiana and holding that "On principle and comity, and especially on the record as it now stands before us, freed as we think from fraud, we feel that the questions which are justiciable before the District Courts of Ohio and Indiana should be left to those courts without interference from the courts of this circuit."

The Court further held in 107 F. 2d on page 32:

"The only benefit which United received for its forbearance to contest the interference proceeding was the exclusive license which it secured by the agreement of June 20, 1927. This United is seeking to retain and Cold Metal is seeking to take away. Each party in signing the agreement doubtless thought it was getting something from, and was giving something to, the other. The one was getting a patent; the other an exclusive license under it. Cold Metal is unwilling to surrender the Steckel patent and United cannot be asked to give up its exclusive license. Cold Metal with a patent and United with an agreement giving it an exclusive license are in the position in which they placed themselves and we should leave them here. The agreement of 1927 is, as Judge McVicar found, 'a valid and subsisting contract' for a license. This 'contract' has been partly performed and equity requires that it be completed by supplying the amount which United must pay for the license in accordance with the intention of the parties. . . . The evidence shows what that intention was, for the parties had an 'understanding' as to what the royalties would be and what that 'understanding' was can readily be ascertained from the evidence by the master appointed or to be appointed by the District Court.

"The learned District Judge did not err when he held the agreement to be a 'valid, subsisting contract', and so regarding, the decree as modified is affirmed."

In addition, the Court of Appeals, 3 Cir., 107 F. 2d 27, 30, in referring to a suit instituted by Cold Metal in New Jersey and which United charged was fraudulent, made this observation, "This suit involved other Steckel patents than

patent No. 1,779,195, commonly called the '195' patent. *This appears to be the only Stöckel patent in which United was interested.*" (Emphasis supplied.)

Pursuant to mandate, this Court accordingly appointed a Master to determine the amount due from United to Cold Metal and proceedings before him are now in progress to that end and apparently for that limited purpose Equity No. 2991 in this Court is still open.

In *Oils, Inc., v. Blankenship*, 10 Cir., 145 F. 2d 354, on page 356, the court held that the action was not ancillary to the receivership proceedings there involved and that the suit could not be maintained in the absence of diversity of citizenship, stating: "When the main proceeding, upon which ancillary jurisdiction depends, has terminated, or the court has lost custody and control of properties and assets in the main proceeding, a suit with respect to such properties and assets is no longer ancillary to the main proceeding, [fol. 266] ing, and may not further rest upon the jurisdiction in the main proceeding."

The court further stated, 145 F. 2d on page 356: "But a controversy cannot be regarded as dependent or ancillary unless it has direct relation to property or assets actually or constructively drawn into the court's possession or control by the principal suit."

[1] The decree in Equity No. 2506 did nothing but dismiss an infringement suit against United. I have, as above indicated, concluded that Equity No. 2506 is definitely closed, and under the circumstances of this case, I am of the opinion that upon no line of reasoning can the instant action be considered as ancillary to that proceeding.

[2, 3] Although Equity No. 2991 is still pending, I am likewise convinced that this action is not ancillary to it. For a bill to be considered ancillary, it must be "subservient to, auxiliary to, or in aid of, that which is principal and primary." *Rutherford v. Pennsylvania Greyhound Lines, Inc.*, D. C. S. D. Ohio, 1945, 7 F. R. D. 245, 249; *Saunders v. Baltimore & O. R. Co.*, D. C. S. D. W. Va., 1945, 63 F. Supp. 705, 706-707; *Cooperative Transit Co. v. West Penn Electric Co.*, 4 Cir., 1943, 132 F. 2d 720. An analysis of United's allegations and prayers in the instant case considered in the light of the record in Equity No. 2991 clearly

indicates to my mind that the present complaint is not ancillary thereto.

The complaint alleges that Cold Metal was "ignored, defied, misconstrued, misrepresented and treated with utter contempt" the adjudication of this Court in Equity No. 2991 in the following respects:

(1) It has asserted and represented that United has no presently existing license but merely an executory contract under which United is entitled to get a limited license under patent '195.

(2) It is currently suing millusers who purchased mills from United alleged to be within the scope of United's rights under the 1927 agreement and, at the same time, is attempting to force United to account for the same mills.

(3) It has indemnified and has offered to indemnify those purchasing from unlicensed third parties mills within the scope of United's rights against any claim that may be made against them by United within United's "exclusive license field," provided that such purchasers make payments to Cold Metal for the use of such mills.

(4) Cold Metal has collected large sums of money by suits or threats of suit for infringement of patents '195 and '016 from users of mills sold by United and used within the scope of United's alleged rights.

In June 1941, after the mandate had come down to this Court in Equity No. 2991, 3 Cir., 167 F. 2d 27, United filed a motion for leave to file a "Second Supplemental Answer and Counterclaim." It here alleged that it should not pay under the 1927 agreement because the validity of patent '195 had not been established in litigation. It also charged that the Cold Metal and Carnegie-Illinois Steel agreement, settling that infringement litigation, disregarded United's "exclusive license rights in the manufacture, use and sale of four-high rolling mills described in United States Patent No. 1,779,195," and thus Cold Metal by agreeing to hold Carnegie-Illinois harmless in respect of any claim that United might make against it, violated "defendant's established rights under the June 20, 1927, contract"; that Cold Metal was soliciting and urging other users of 4-high mills to enter into like license agreements, thus further ignoring "defendant's [United's] exclusive rights." United

asked that no further proceedings be taken with respect to any payments alleged to be due from it to Cold Metal by reason of Cold Metal's "unconscionable conduct and the damages caused" to United, or that no further proceedings be taken "until patent 1,779,195 has been held valid" and enforced by a court of competent jurisdiction. United further sought to restrain Cold Metal from granting licenses to others under patent '195 covering the manufacture, sale or use of any 4-high mill "coming within the defendant's exclusive field as defined in the agreement of June 20, 1927, between the plaintiff and the defendant." It [fol. 267] is to me most significant that in that effort United made no mention of the '016 patent, the unescapable inference being that then it apparently felt its rights under the 1927 contract were confined exclusively to the '195 patent. On February 18, 1942, D. C., 43 F. Supp. 375, 377, this Court (McVicar) denied United's motion, holding that any right of United against Cold Metal "other than the value of the license under the aforesaid contract, (the 1927 agreement) can be properly made the subject matter of another action by the defendant against the plaintiff." Seven years later, after having been refused admission by the front door, United attempts to gain entrance to the same structure and for the same purpose by the back door.

In my opinion Equity No. 2991 is open for the sole purpose of determining the "value of the license" under the 1927 contract, and any other right United feels it has, not only can but must be made the subject matter of another plenary action by United against Cold Metal.

United has for the past eight years consistently insisted it should pay nothing for its claimed license under the 1927 contract until the validity of the '195 patent had been established by a court of competent jurisdiction. If United is sincere in that position, certainly this is not the proceeding nor is this the forum for that determination. It is my conclusion that the instant proceeding is not ancillary to Equity No. 2991.

[4] As to Cold Metal's assertion of laches, it has been repeatedly held that under the provisions of Rule 8(c), Federal Rules of Civil Procedure, 28 U. S. C. A., this is a matter of affirmative defense and not to be set up for sum-

mary disposition by motion to dismiss. *Topping v. Fry*, 7 Cir., 1945, 147 F. 2d 715.

An appropriate order will be entered granting Cold Metal's motion to dismiss the "Ancillary Cross-Complaint."

Order

It is ordered, adjudged and decreed that Cross-plaintiff's motion for a preliminary injunction be and it is hereby denied; that cross-defendant's motion to dismiss the Ancillary Cross-Complaint be and it is hereby granted, and that the Ancillary Cross-Complaint be and it is hereby dismissed.

[fol. 268] UNITED STATES COURT OF APPEALS FOR THE THIRD
CIRCUIT

No. 10,307

THE COLD METAL PROCESS COMPANY

vs.

UNITED ENGINEERING & FOUNDRY COMPANY, Appellant

Appeal from the United States District Court for the
Western District of Pennsylvania

Argued December 8, 1950

Before Biggs, Chief Judge, and Goodrich and Kalodner,
Circuit Judges

OPINION OF THE COURT—Filed June 8, 1951

By Biggs, Chief Judge:

The appellant in this proceeding, United Engineering & Foundry Company, on March 28, 1949, filed a pleading denominated by it as a "Cross-Complaint" and "Ancillary" at Equity No. 2991, a suit originally filed on November 17, 1934 by The Cold Metal Process Co. against United in the court below. We will refer to it hereinafter as a

"counterclaim".¹ By its counterclaim United sought injunctive relief against Cold Metal to prevent the latter from bringing or threatening to bring "any further suit for infringement of patents 1,779,195 and 1,744,016 . . . against any user of four-high roller-bearing mills purchased from [fol. 269] United, the use of which falls within the scope of the license which United holds from Cold Metal . . . by virtue of the 1927 [license] contract . . .", and that Cold Metal account for moneys collected by it from users of the mills purchased from United within the scope of United's license contract and for other relief. On September 27, 1949 United moved for a preliminary injunction and on the same day Cold Metal filed a motion to dismiss the counterclaim under Rule 12(b), FRCP, 28 U. S. C. A. The court below held that the counterclaim was not ancillary. It denied the motion for preliminary injunction and dismissed the counterclaim. See *United Engineering & Foundry Co. 1: Cold Metal Pr. Co.*, 92 F. Supp. 596. United has appealed.

Some history of the protracted litigation which has taken place between United and Cold Metal, as well as of the "license" which United holds from Cold Metal is required. Both Cold Metal and United had applications pending in the United States Patent Office for an improved rolling mill on June 20, 1927. The same counsel represented both applicants. When counsel became aware of the conflict they endeavored to withdraw from representation of the applicants² but were persuaded to continue. An agreement dated June 20, 1927, was made between Cold Metal and United which provided, *inter alia*, that, if certain claims in an application for a patent to the Commissioner of Patents of the United States were granted, Cold Metal would grant to United an exclusive license to make, use, and

¹ The term "Cross-Complaint" is used by United to designate this paper. The designation is not one which finds sanction in the Federal Rules of Civil Procedure. The pleading is in reality a "counterclaim".

² See *Cold Metal Process Co. v. United Eng. & Foundry Co.*, 3 F. Supp. 120 at p. 126, findings of fact No. 65 and No. 66.

sell rolling mills which included four-high hot mills and four-high cold mills in which the major portion of the power was supplied to the rolls directly.³ The agreement of June 20, 1927 was held by the court below⁴ in No. 2991 and by this [fol. 270] court⁵ to be a "valid and subsisting contract" for an exclusive license to United from Cold Metal under patent 1,779,195. Patent 1,744,016, insofar as the record before us demonstrates, was not involved in the litigation.

The original proceedings at No. 2991, referred to in the first paragraph of this opinion, had been brought by Cold Metal against United to restrain United from prosecuting three infringement suits brought by United in other federal districts charging infringement of patent '195 and to rescind the contract of June 20, 1927, or, alternatively, to have determined the amount due Cold Metal from United as license fees under the contract. After January 4, 1938, the date of the filing of the opinion, the court below entered a decree in the cause.⁶ On September 29, 1943, pursuant to the mandate of this court of June 15, 1939,^{7 8} the court

³ The contract is set out in full in note 1 cited to the text in the opinion of this court in *Cold Metal Process Co. v. United Engineering & F. Co.*, 107 F. 2d 27, 28. Note the contents of paragraph 3.

⁴ See *Cold Metal Process Co. v. United Engineering & Foundry Co.*, 83 F. Supp. 914. The opinion in this case was filed January 4, 1938 but apparently was not sent to the West Publishing Company for publication until nearly ten years later.

⁵ See *Cold Metal Process Co. v. United Engineering & F. Co.*, 107 F. 2d 27.

⁶ We cannot tell precisely what was adjudicated since the parties have not seen fit to include the decree in the record and the opinion of the court below is not clear as to the exact extent of the relief to be granted. The date of the decree is not given.

⁷ This modified in part and affirmed in part the judgment of the court below.

⁸ The reason for the delay does not appear from the record.

below entered another decree in which the case was referred to a master to ascertain the amount due to Cold Metal from United under the 1927 agreement for mills sold by the latter. In substance it had been determined that United had an exclusive license from Cold Metal to make, use, and sell the four-high mills covered by the 1927 agreement and that United should pay royalties to Cold Metal in an amount to be determined by the court below. We are informed by counsel that this accounting is still being proceeded with.⁹

On June 20, 1941 United filed a motion for leave to file a "Second Supplemental Answer and Counter-Claim". This motion was denied by the court below.¹⁰ United prayed that no further proceedings be taken with respect to any payments due from United to Cold Metal as license fees by reason of Cold Metal's alleged unconscionable conduct [fol. 271] in respect to certain transactions with steel companies named in the complaint, or, alternatively, that "no further proceedings be taken until patent ['195] has been held valid and has been enforced by a court of competent jurisdiction."¹¹ The court below decided that it was without power to grant the relief sought by United's second supplemental answer and counterclaim, basing its conclu-

⁹ See also 92 F. Supp. 969.

¹⁰ See 43 F. Supp. 375.

¹¹ In *Cold Metal Process Co. v. United Eng. & Foundry Co.*, 3 F. Supp. 120, Cold Metal had sued United claiming that it was infringing patent '195. United had filed an answer asserting that the patent was invalid but, if the patent was valid, United had been licensed thereunder by the agreement of 1927. The court below held the patent to be valid but stated that the defense of license, viz., license under the 1927 agreement, was a valid defense. United appealed to this court. This court dismissed the appeal on the ground that a licensee was not in a position to contest the validity of the licensor's patent. Some confusion has resulted by reason of the dismissal of the appeal. A more reasonable course would have been to have affirmed the judgment of the court below. We presently dismiss an appeal only when we are without jurisdiction to entertain it.

sion upon a very strict construction of our mandate. No appeal was taken.

The counterclaim filed by United on March 28, 1949 and referred to by it as an "Ancillary Cross-Complaint" demonstrates United's divided mind. The counterclaim pleads evidence, makes argument and is prolix. United also brings forward a fancy which it has advanced hopefully from time to time in the litigation, viz., that neither patent '195 nor patent '016 has been held valid by a court of last resort in a suit against an infringer¹² and that therefore United does not have to pay royalties or license fees.¹³ The issue of validity is not open to United for since United is licensed under the 1927 agreement it cannot attack the validity of a patent under which it is licensed. Cf. *Scott Paper Co. v. Marcalus Co.*, 326 U.S. 249. On the other hand Cold Metal may not deny that United has an exclusive license under the 1927 agreement. These questions are closed insofar as [fol. 272] Cold Metal and United and those in privity with them are concerned.

Cold Metal argues that United has failed to show that all of the acts of United's customers are within the purview of United's license under the 1927 agreement and that therefore United is not entitled to the relief sought by it by the counterclaim. But the allegations of the counterclaim are sufficient to demonstrate that it is ancillary to the main action at No. 2991 if the proof sustains the allegations. The counterclaim was dismissed by the court below and no evi-

¹² Cf. the opinions of this court in *Cold Metal Process Co. v. Carnegie-Illinois Steel Corp.*, 108 F. 2d 322 and 115 F. 2d 33.

¹³ In *Cold Metal Process Co. v. United Engineering & F. Co.*, 107 F. 2d at p. 31, Judge Buffington made the following statement: "The evidence indicates rather conclusively that it was the original intention of the parties that United should not pay royalties under the agreement until the patent had been declared valid by a competent court." Whatever the evidence may be we can perceive no reason why the parol evidence rule should be varied in respect to the 1927 agreement. The agreement is complete upon its face and is unambiguous.

dence was offered under it. The allegations of the counter-claim must therefore be taken to be true.¹⁴ It alleges that Cold Metal has sued and is threatening to sue United's customers who have purchased mills from United covered by the 1927 license. Whether this be so cannot be determined except by proof and proper findings of fact and conclusions of law.

That an issue of fact is presented is made plain by Beeghly's affidavit in opposition to the motion for a preliminary injunction.¹⁵ The statement in the affidavit that many of the agreements made by Cold Metal with users of four-high mills "do not even include patent No. 1,779,195 but cover only patent No. 1,744,016 and other patents of Cold Metal" supplies an inference that *some* of the agreements do cover mills included within the coverage of patent '195 and contains an express statement that some of [fol. 273] the agreements cover mills within the purview of patent '016. While the affidavit denies that such user's operations are within the scope of any rights possessed by United under the 1927 agreement, this denial raises an issue

¹⁴ We note that neither Cold Metal nor United has included in its appendix any evidence save that contained in conflicting affidavits filed in support of, or opposition to, United's motion for preliminary injunction. Neither party has called to our attention any evidence presented at No. 2991.

¹⁵ Paragraph 16 of the Beeghly affidavit states:

"Cold Metal has not at any time by the filing of suits, threats of suits, charges of infringement, or otherwise, collected monies from others for operations by such others within the scope of any rights possessed by United. Many of the agreements do not even include patent No. 1,779,195 but cover only patent No. 1,744,016 and other patents of Cold Metal. Some of the agreements include patents Nos. 1,779,195 and 1,744,016 and many other patents of Cold Metal but any monies received thereunder have been voluntarily paid in recognition of the rights of Cold Metal and with full knowledge on the part of the licensees of the limited rights United has been held to have under patent No. 1,779,195 by reason of the 1927 agreement."

of fact and is in contradiction to the allegations of the counterclaim and allegations of Dickinson's affidavit filed by United. Beeghly's statement that any money received by Cold Metal from corporations operating under patents '195 and '016 "have been voluntarily paid in recognition of the rights of Cold Metal and with full knowledge on the part of the licensees of the limited rights United has been held to have had under patent No. 1,779,195 by reason of the 1927 agreement", is meaningless without further background of supporting facts. It must be borne in mind that allegations are not proof and though a motion to dismiss under Rule 12 may dispose quickly and properly of many such suits, such a motion cannot take the place of proof. The fact that United, until the filing of the counterclaim insofar as the record before us shows, had not claimed any rights under patent '016, is not necessarily dispositive of the issue as to whether United has any rights thereunder. United may have delayed in asserting such rights and the defense of laches may be available to Cold Metal at this stage of the proceeding. In this connection see the decision of this court, sitting en banc, in *Kane v. Union of Soviet Socialist Republics, et al.*, — F. 2d—, handed down on June 1, 1951. Cf. *Loverich v. Warner Co.*, 3 Cir., 118 F. 2d 690, *Topping v. Fry*, 7 Cir., 147 F. 2d 715, 718. See Rule 8(c), and 2 Moore's Federal Practice, 2d ed., p. 1694.

So clearly is the subject matter of United's counterclaim ancillary to the proceeding at No. 2991¹⁶ that had the counterclaim matured when the original answer was filed, the counterclaim would have been "compulsory" within the purview of Rule 13(a) and had United failed to plead it, [fol. 274] it could not subsequently have been maintained.¹⁷

¹⁶ In view of our disposition of the appeal it is unnecessary to determine whether the counterclaim is ancillary to the suit at No. 2506.

¹⁷ United's counterclaim is not a compulsory one because it was not in being at the time of the filing of the original pleading. Note that the word "serving" was substituted in lieu of the word "filing" in rule 13(a) as originally drafted. See 3 Moore's Federal Practice at p. 6, respecting the amendment effected in 1946.

United's counterclaim grew out of the same "transaction" or "occurrence" which created Cold Metal's claim, viz., the 1927 agreement. If, as has been demonstrated, United must pay the equivalent of royalties or license fees to Cold Metal under the 1927 contract; and United has the equivalent of an exclusive license under the two patents within the purview of the 1927 agreement, United would be entitled to counterclaim against Cold Metal for the sums, if any, which Cold Metal has received from users of four-high mills within the scope of the 1927 agreement.

In making these statements we assume, of course, that United will be able to sustain the allegations of its counterclaim respecting the scope of the 1927 agreement.¹⁸ Moreover, if, as we must assume, United's proof will support its pleading, United may be entitled to an injunction to restrain Cold Metal from suing or threatening suits against United's customers. Public policy demands that a multiplicity of suits be not maintained even by a party entitled to maintain them when one suit would suffice. If the allegations of United's counterclaim are proved, Cold Metal is not entitled to maintain any suit against United's customers.

We do not state, however, that United is entitled to a preliminary injunction or to maintain the counterclaim. These are matters, along with the question of laches, to be considered by the court below upon remand.

Our order will be one of remand but it will be made with some hesitancy since United has not thought of its problem [Vol. 275] or endeavored to work it out in terms of the Federal Rules of Civil Procedure.¹⁹ It has made no motion under Rule 13(e) relating to supplemental pleadings which

¹⁸ It would be idle to speculate at this stage as to whether if United does not have a claim analogous to a compulsory counterclaim under subparagraph (a) of Rule 13, it might not have a permissive counterclaim under subparagraph (b). See the provisions of subparagraph (c) which are deemed auxiliary to those of subparagraph (a) and (b). See 3 Moore's Federal Practice, 2nd ed., pp. 85, *et seq.*

¹⁹ Neither apparently has Cold Metal considered the effect of the Rules.

supplies an analogy to control the pleading in the instant case. In view of the fact that the original complaint and answer were filed some fifteen years before we conclude that United had no right to file its counterclaim without first securing leave from the court below to do so. This being so, we might affirm the judgment of the court below had that tribunal based its dismissal of the counterclaim upon such a ground. Instead the court below held that the counterclaim was not ancillary and dismissed it for this reason. The court below was in error in holding that the counterclaim was not ancillary. Cold Metal points out that the motion for preliminary injunction was denied and asserts that this is an adjudication of United's right to a preliminary injunction. But there is nothing in the opinion of the court below to show us why it took this step. The opinion is devoted largely to a discussion as to whether the counterclaim is ancillary and the opinion is open at least to the inference that the court below denied the motion for a preliminary injunction because it wrongly concluded the counterclaim was not ancillary.

We conclude that on remand the entire field should be open to the District Judge. Accordingly we will vacate the decree and will remand with the direction to consider the questions presented anew in the light of this opinion.

[fol. 276] UNITED STATES COURT OF APPEALS FOR THE THIRD
CIRCUIT

No. 10,307

THE COLD METAL PROCESS COMPANY

v.

UNITED ENGINEERING & FOUNDRY COMPANY, Appellant

ORDERING AMENDING OPINION—August 6, 1951

Present: Biggs, Chief Judge, and Goodrich and Kalodner,
Circuit Judges.

And now, to wit, this 6th day of August, 1951, it is

Ordered that the opinion filed herein on June 8, 1951, be
and the same hereby is amended by striking out the con-

tents of Note 17 and substituting in lieu thereof a new Note 17 as follows:

"17. United's counterclaim is not a compulsory one. The reasons for our conclusion include the following. The complaint at No. 2991 was filed by Cold Metal November 17, 1934. United answered on January 12, 1935. By this complaint, as we have stated, Cold Metal sought to enjoin United from prosecuting certain suits brought by United against Cold Metal and others in Ohio and Indiana to enforce United's rights as an exclusive licensee under the 1927 contract. This suit was resolved in United's favor by the court below, 9 F. Supp. 994 (January 28, 1935). But Cold Metal appealed to this court which on September 27, 1935 (rehearing denied November 8, 1935) held, 79 F. 2d [fol. 277] 666, that Cold Metal was entitled to enjoin United from prosecuting the Ohio and Indiana litigations. This court held in substance that United did not receive a license under the 1927 agreement. Cold Metal seems to take the position, contrary to fact, that in No. 2991 United did *not* assert its rights under the 1927 agreement and that it should have done so; that since it did not do so (in Cold Metal's asserted view), United should not now be permitted to maintain its present counterclaim.

To state Cold Metal's position is to refute it, for, as we have said, the very subject matter of the suit at No. 2991 was the rights of Cold Metal and United (and hence of their respective licensees and vendees) under the 1927 agreement. Both sides hotly pursued their contentions in that litigation.

If more were needed, in view of the actions pending in Ohio and Indiana on January 12, 1935, the exception of Rule 13(a), FRCP, in favor of other pending actions, would suffice to save United's position. See Rule 86, FRCP, 28 U.S.C.A. If old Equity Rule 30 be invoked, Note 1 to Rule 13(a) of the Advisory Committee on Rules, 28 U.S.C.A., is pertinent. The note states: "This [Rule 13(a)] is substantially former Rule 30, broadened to include legal as well as equitable counterclaims." We conclude that a court of equity, con-

struing old Equity Rule 30 under the circumstances of the case at bar, would hold it to be equivalent, insofar as an equitable counterclaim is concerned, to Rule 13(a), FRCP.

On May 11, 1936, Cold Metal filed a supplemental bill of complaint and on November 21, 1936 United filed its answer to this pleading. On these dates United's license under the 1927 contract did not exist for this court had held that the 1927 contract did not confer a license on United. This condition persisted [fol. 278] until the 1939 decision of this court, 107 F. 2d 27, which reversed the prior erroneous ruling and held that United was an exclusive licensee under the 1927 agreement. Then, viz., on November 14, 1939, on denial of rehearing by this court, United became possessed of rights which it could litigate."

By the Court, Biggs, Chief Judge.

[fol. 279] IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 7744

UNITED ENGINEERING & FOUNDRY COMPANY, Plaintiff

v.

THE COLD METAL PROCESS COMPANY and THE UNION NATIONAL BANK OF YOUNGSTOWN, OHIO, Trustee, Defendants

ANSWER AND REPLY TO AMENDED ANCILLARY COMPLAINT AND COUNTERCLAIM—Filed October 24, 1952

In answer and reply to the complaint and counterclaim of United Engineering & Foundry Company (hereinafter referred to as "United"), filed March 28, 1949, as amended October 29, 1951, defendants, The Cold Metal Process Company (hereinafter referred to as "Cold Metal"), and The Union National Bank of Youngstown, Ohio, as Trustee of the Leon A. Beeghly Fund (hereinafter referred to as the "Trustee"), state:

1. Cold Metal and the Trustee admit the allegations of Paragraph 1.

2. Cold Metal and the Trustee admit that Cold Metal was the original plaintiff in Equity No. 2991 in this Court, but deny the remaining allegations as set forth in Paragraph 2, and aver that Cold Metal was a corporation having its principal office and place of business at Youngstown, [fol. 280] Ohio, but that, on December 29, 1945, all of the capital stock of Cold Metal having been purchased by the Trustee, Cold Metal was dissolved and all of its assets were transferred, assigned and distributed in kind to the Trustee and its liabilities assumed by the Trustee.

3. Cold Metal and the Trustee deny the allegations of Paragraph 3, and aver (a) that The Union National Bank of Youngstown, Ohio is a corporation organized and existing under the National Banking Laws of the United States, (b) that The Union National Bank of Youngstown, Ohio was not added as a party-plaintiff in Equity No. 2991, but The Union National Bank of Youngstown, Ohio, as Trustee of the Leon A. Beeghly Fund, a Charitable Trust established on December 28, 1940, was added as a party-plaintiff in Equity No. 2991 by Order of this Court dated April 5, 1949, (c) that prior thereto and, on December 29, 1945, the Trustee, which was already the owner of a substantial block of the capital stock of Cold Metal, acquired all of the remaining shares of Cold Metal and caused Cold Metal to be dissolved and the assets thereof duly assigned, transferred and distributed in kind to the Trustee, and (d) that the Trustee thereby became the owner of all of the assets and claims of Cold Metal.

4. Answering Paragraph 4, Cold Metal and the Trustee deny that United's complaint or counterclaim is ancillary and supplemental to either Equity No. 2506 or Equity No. 2991, deny that it seeks enforcement of and protection and ancillary relief to United under any prior decision of this Court or the Third Circuit Court of Appeals, and deny that the action or counterclaim grows out of the same facts, circumstances and transactions as those involved in either Equity No. 2991 or Equity No. 2506 in this Court. Cold Metal and the Trustee admit the remaining allegations of Paragraph 4.

5. Answering Paragraph 5, Cold Metal and the Trustee admit that, on June 20, 1927, Cold Metal and United en-

tered into an agreement which appears as Exhibit 98 in the record of Equity No. 2506 in this Court, as Exhibit B in the record in Equity No. 2991 in this Court, and as a footnote at page 28 of 107 F.2d, but deny each and every one of the remaining allegations thereof.

6. Answering Paragraph 6, Cold Metal and the Trustee admit that the portion of Paragraph 3 of the agreement of June 20, 1927 between Cold Metal and United is correctly quoted, but deny each and every of the remaining allegations of Paragraph 6.

7. Answering Paragraph 7, Cold Metal and the Trustee admit that patent No. 1,779,195 issued to Cold Metal as assignee of Abram P. Steckel on October 21, 1930 and that said patent No. 1,779,195 is the patent and the only patent which ever issued to Cold Metal containing any claim addressed to subject-matter common to the then pending Cold Metal and United applications, and aver that said patent No. 1,779,195 is, as the Court of Appeals for this Circuit has already held in an appeal in Equity No. 2991, the only patent of Cold Metal under which United, by reason of the 1927 agreement, became entitled to obtain license rights.

8. Answering Paragraph 8, Cold Metal and the Trustee admit and aver (a) that Steckel application, Serial No. 648,761, filed June 30, 1923, was an application referred to in the 1927 agreement, (b) that shortly after the common subject-matter claims were inserted in that application [6l. 282] by an amendment dated May 22, 1928, the Patent Office required division between those claims and other claims of said application on the ground that they were addressed to different inventions, (c) that subsequently divisional application Serial No. 412,742 was filed, (d) that patent No. 1,779,195 issued on that divisional application on October 21, 1930, (e) that, on January 14, 1930, patent No. 1,744,016 issued on the original application and contained only claims addressed to inventions entirely different than the invention covered by the common subject-matter claims, all of which are in patent No. 1,779,195, (f) that said patents have been owned continuously by Cold Metal and the Trustee since their issuance, and (g) that both patents have now expired.

9. Answering Paragraph 9, Cold Metal and the Trustee

admit that the 1927 agreement has not been cancelled, but deny each and every one of the allegations contained in Paragraph 9. Further answering Paragraph 9, Cold Metal and the Trustee aver (a) that by virtue of the express terms and limitations of the 1927 agreement United's rights are limited to the common subject-matter claims, all of which are in patent No. 1,779,195, (b) that United itself, in the Courts and in its dealings with Cold Metal and with others, has repeatedly recognized and asserted that such rights as it may have acquired by the 1927 agreement are limited to patent No. 1,779,195, (c) that, for about seventeen years following the execution of the 1927 agreement, United made no claim or assertion whatsoever in the Courts or in its dealings with Cold Metal or in its dealings with others that it had any rights whatsoever under any patent of Cold Metal except patent No. 1,779,195, (d) that Cold Metal and the Trustee have been fully aware [fol. 283] of United's position in this regard over the years, (e) that Cold Metal and the Trustee have continued, since as early as 1930, to grant licenses and to enforce its rights under patent No. 1,744,016 without regard to United, and (f) that United was fully aware of Cold Metal's position in respect of patent No. 1,744,016 but, nevertheless, not only remained silent in regard to the rights it now claims but repeatedly asserted that its limited rights under the 1927 agreement were limited to the common subject-matter claims of patent No. 1,779,195; wherefore, United has been guilty of gross laches and is now estopped to claim otherwise.

10. Answering Paragraph 10, Cold Metal and the Trustee admit that, on May 7, 1931, they brought suit in this Court at Equity No. 2506 against United for infringement of patent No. 1,779,195, and that this Court subsequently, on January 9, 1933, dismissed the complaint in said suit because of the 1927 agreement. Cold Metal and the Trustee deny the remaining allegations of Paragraph 10.

11. Answering Paragraph 11, Cold Metal and the Trustee admit that the Court made the findings and conclusions set forth, but refer the Court to the entire decision of this Court in Equity No. 2506, which is on file in that action, for an understanding of the remaining holdings of the Court.

12. Answering Paragraph 12, Cold Metal and the Trustee admit that United attempted to take an appeal from this Court's decision in Equity No. 2506 seeking to have patent No. 1,779,195 declared invalid, that Cold Metal moved to dismiss the appeal, and that the Court of Appeals sustained Cold Metal's motion and dismissed the appeal and made the statements, among others, quoted in Paragraph [fol. 284] 12. Cold Metal and the Trustee deny the remaining allegations of Paragraph 12.

13. Cold Metal and the Trustee admit the allegations contained in Paragraph 13.

14. Cold Metal and the Trustee admit the allegations of Paragraph 14 and aver that, prior to May 11, 1936, the Third Circuit Court of Appeals had handed down its first decision in Equity No. 2991 on the appeal taken by Cold Metal from this Court's denial of Cold Metal's motion for a preliminary injunction and, in such decision had held, *inter alia*, as follows (79 F. 2d 666):

"The conclusion is inescapable that United was playing fast and loose with Cold Metal. Its contract with that company was a mere 'scrap of paper,' except when it might be invoked against Cold Metal and for its own advantage.

.

"The agreement was not the contemplated license; if it was, what were its terms? There were none and there could be no license without them. * * * Both parties contemplated that a formal license complete in all necessary terms would be granted in the future. A bill for specific performance in this case could not be maintained. A court could not enforce such a contract or license because there are no terms to enforce.

.

"United itself has always taken the position that the contract is executory. In its contract with Mesta, for example, it said: * * * The terms and conditions of such license are not fully defined in said agreement of June 20, 1927, and that the amount to be paid by United for such license is under the terms of said

agreement left to arbitration, and is as yet not determined.

"This same position was taken by it in its agreements with its customers.

[fol. 285] Its [United's] idea seems to have been that it had an executory option which it might or might not exercise just as appeared advantageous or otherwise to it.

"The agreement, not being a license, either per se or equitable, will not support the bills or give United the right to prosecute or maintain the suits brought in Ohio and Indiana.

"That United does not presently have an exclusive license is dispositive of this case and we might rest our decision upon this ground alone,"

15. Cold Metal and the Trustee admit the allegations of Paragraph 15.

16. Cold Metal and the Trustee admit the allegations of Paragraph 16.

17. Answering Paragraph 17, Cold Metal and the Trustee deny that the motion for a preliminary injunction in Equity No. 2991 alleged that United had no license, and deny that the Court of Appeals held that United has an exclusive license under the 1927 contract, but admit each and every of the remaining allegations thereof.

18. Cold Metal and the Trustee admit the allegations of Paragraph 18 and refer the Court to the entire decision for a correct understanding of the Court's holdings.

19. Cold Metal and the Trustee admit the allegations of Paragraph 19 and aver that what the Court really held was:

"The agreement of 1927 is as Judge McVicar found, 'a valid and subsisting contract' for a license.

[fol. 286] "The learned District Judge did not err when he held the agreement to be a 'valid, subsisting

contract', and so regarding, the decree as modified is affirmed."

20. Cold Metal and the Trustee deny the allegations of Paragraph 20 and aver that the quotation set forth therein was taken from a brief filed by Cold Metal in the Supreme Court of the United States in *Carnegie-Illinois Steel Corporation and U. S. Steel Corporation, Petitioners, v. The Cold Metal Process Company, Respondent*, No. 641, in the October, 1939 term, which action involved only patent No. 1,779,195 and that the assertions made therein applied only to patent No. 1,779,195 and the limited rights of United thereunder arising out of the 1927 agreement.

21. Answering Paragraph 21, Cold Metal and the Trustee admit that the quoted statement was made in a brief filed by Cold Metal in the ~~Third Circuit Court of Appeals~~, but aver that the statement was made only in respect of the charge of infringement based upon patent '195, which is the only patent under which United acquired limited rights by reason of the 1927 agreement.

22. This paragraph has been cancelled.

23. Answering Paragraph 23, Cold Metal and the Trustee admit (a) that, on May 21, 1947, the Trustee filed suit in this Court against Superior Steel Corporation alleging that said Superior Steel Corporation; by reason of certain operations, had infringed upon patents Nos. 1,744,016 and 1,779,195, (b) that three of the seven accused mills in the Superior litigation were 4-high mills, only parts of which had been sold to Superior by United, (c) that, prior to the filing of said suit, Cold Metal had knowledge that an indemnity agreement of some character had, at one time, [fol. 287] existed between United and Superior Steel Corporation, but, at the time the aforesaid action was filed against Superior, neither Cold Metal nor the Trustee had full knowledge of the contractual arrangements, if any, between United and Superior then in force, (d) that, shortly prior to the date set for the trial of the said action against Superior Steel Corporation, the Trustee moved to dismiss said action, and (e) that said motion was subsequently granted by this Court on terms which the Trustee proposed to the Court. Cold Metal and the Trustee deny each and every of the remaining allegations of Paragraph 23.

24. Answering Paragraph 24, Cold Metal and the Trustee admit that, in Equity No. 2991, this Court, on or about September 29, 1943, entered a modified interlocutory decree in which J. Garfield Houston, Esq. was designated and appointed as a Special Master "to ascertain, state and report to this Court the total amount of money due to the plaintiff from the defendant under the 1927 agreement up to the date hereof, and the basis of payment on mills coming under such contract which may hereafter be made and sold by the defendant," and that said decree is on file with the Clerk of this Court, but deny each and every one of the remaining allegations of Paragraph 24.

25. Cold Metal and the Trustee admit the allegations of Paragraph 25.

26. Answering Paragraph 26, Cold Metal and the Trustee admit (a) that, in the accounting proceeding now pending before the Master and pursuant to an Order entered by the Master, United presented a list purporting to show all of the 4-high mills which it had manufactured and sold both prior [fol. 288] to the issuance of patent No. 1,779,195 and throughout the life of that patent, (b) that the issues referred to the Master for determination are as set forth in Paragraph 24 of this answer and reply, and (c) that said issues are now under consideration by the Master, but deny each and every one of the remaining allegations and conclusions set forth in said Paragraph 26.

27. This paragraph of the complaint or counterclaim has been cancelled, and, hence, no answer is required.

28. Answering Paragraph 28, Cold Metal and the Trustee admit (a) that, commencing as early as 1934, it adopted the course of protecting its rights under patents Nos. 1,779,195 and 1,744,016, (b) that it has continued in that course of conduct throughout the years since 1934 with full knowledge thereof by United, and (c) that several such suits are still pending in which Cold Metal and the Trustee are seeking to enforce their rights under patent No. 1,744,016, under which United has no rights of any character whatsoever, and their rights under patent No. 1,779,195, but deny each and every one of the remaining allegations contained in Paragraph 28, and aver that, in all such litigation and in all dealings with such infringers, they have called attention to the 1927 agree-

ment between Cold Metal and United and the decisions in regard thereto, and, in their agreements with others, have set forth that their rights in patent No. 1,779,195 are subject to said agreement.

29. Answering Paragraph 29, Cold Metal and the Trustee deny each and every one of the allegations as set forth therein, but admit and aver (a) that they have stated and asserted the fact that United has no license rights and never [fol. 289] has had any license rights under patent No. 1,744,016 because United's rights are limited to the common subject-matter claims, none of which is in patent No. 1,744,016 and because the Courts have held and United has asserted that United has no rights in any patent of Cold Metal except patent No. 1,779,195, and (b) that they have stated, in accordance with United's own contentions and characterizations of its rights, that United had no then existing license under patent No. 1,779,195 because it had not perfected the rights granted to it under the 1927 agreement.

30. Answering Paragraph 30, Cold Metal and the Trustee admit (a) that they have brought and have pending at the present time infringement suits involving patents Nos. 1,779,195 and 1,744,016 against mill owners who have purchased parts only of rolling mills from United and from others, (b) that they have asserted that United, by virtue of the 1927 agreement or otherwise, did not have any rights under patent No. 1,744,016, or any right or immunity from suit for infringement of patent No. 1,744,016, and (c) that they have, on occasions, expressed the conclusions, based upon United's own contentions and assertions, that the 1927 agreement was an executory contract under which United was entitled to get limited license rights under patent No. 1,779,195, and that United did not then have a presently existing license under patent No. 1,779,195 because of its failure to perfect its rights and pay for the rights to which it was entitled under that agreement, but deny each and every one of the remaining allegations of Paragraph 30.

31 (a). Answering Paragraph 31 (a), Cold Metal and the Trustee admit that the statements quoted therein were made [fol. 290] in the Trustee's trial brief in the case of *Union National Bank of Youngstown, Ohio, Trustee, v. Superior Steel Corporation*, Civil Action No. 5812 in this Court, but

deny that the excerpts quoted by United fully or accurately set forth or represent the contentions made by the Trustee in said Civil Action No. 5812 in regard to the respective rights of the Trustee and United under the 1927 agreement.

31 (b). Answering Paragraph 31 (b), Cold Metal and the Trustee admit that the statements quoted therein were made on their behalf in a suit for infringement brought by Cold Metal and the Trustee against Republic Steel Corporation, Civil Action No. 21,390 in the Northern District of Ohio, but deny each and every one of the remaining allegations of Paragraph 31 (b) and aver that the portions of the argument before the Court in the *Republic* case and which are quoted in Paragraph 31 (b) do not fully or accurately set forth or represent the contentions made by the Trustee in said action in regard to the respective rights of the Trustee and United under the 1927 agreement.

31 (c). Answering Paragraph 31 (c), Cold Metal and the Trustee admit that the quoted statement, together with other pertinent statements, appears in their Answer in Civil Action No. 24,760 now pending in the District Court of the United States for the Northern District of Ohio, but aver that the quoted portion does not fully or accurately set forth or represent the position expressed to the Court in that case in regard to the respective rights of the Trustee and United under the 1927 agreement.

32. Cold Metal and the Trustee deny each and every one of the allegations contained in Paragraph 32.

[fol. 291] 33. Cold Metal and the Trustee deny each and every one of the allegations contained in Paragraph 33.

34 (a). Cold Metal and the Trustee deny each and every one of the allegations contained in Paragraph 34 (a).

34 (b). Cold Metal and the Trustee deny each and every one of the allegations contained in Paragraph 34 (b).

35. Cold Metal and the Trustee deny each and every one of the allegations contained in Paragraph 35.

36. Cold Metal and the Trustee deny each and every one of the allegations contained in Paragraph 36.

37. Cold Metal and the Trustee aver that the complaint and counterclaim of United fail to state any claim against Cold Metal or the Trustee upon which any relief can be granted.

38. Cold Metal and the Trustee aver that the alleged right of action set forth in United's complaint and counterclaim did not accrue or arise within six years next before the filing of the complaint or counterclaim.

39. Cold Metal and the Trustee further aver that, in the accounting proceeding in Equity No. 2991, referred to in Paragraphs 24 and 25 of the complaint and counterclaim, and elsewhere, United has asserted and is presently asserting, in an effort to avoid the payment of any sums to Cold Metal or the Trustee under the 1927 agreement, (1) that the 1927 agreement is executory, (2) that said agreement is unenforceable, (3) that Cold Metal and the Trustee are not in the position to grant to United the license rights under [fol. 292] patent No. 1,779,195 to which United was entitled to get under the executory 1927 agreement, (4) that no payment whatsoever should be required of United because there has been a complete failure of consideration for said agreement, (5) that since patent No. 1,779,195 has now expired, it is impossible for Cold Metal or the Courts to put United in position to obtain and enjoy the license rights to which it was entitled under the executory 1927 agreement, (6) that, since United has never received the license rights to which it was entitled under the 1927 agreement, it should not be required to pay anything under that agreement, and (7) that since patent No. 1,779,195 expired without a "competent judgment of its validity," United got no rights for which it should be required to pay; wherefore, United, by reason of its own claims, assertions and admissions, has no cause of action against Cold Metal or the Trustee and is estopped from claiming any of the relief sought by it in this action.

40. Cold Metal and the Trustee further aver (a) that, continuously since 1934, it has instituted appropriate actions against rolling-mill users who have purchased parts of rolling mills from United, as well as mill users who have purchased mills or parts thereof from others, for infringement of patents Nos. 1,779,195 and 1,744,016, (b) that Cold Metal and/or the Trustee, continuously since 1934, have prosecuted such infringement actions against such mill users for the protection of the rights of Cold Metal and/or the Trustee under said patents and for the purpose of ob-

taining compensation from such users for their trespass upon Cold Metal's and the Trustee's rights under said patents, (c) that United, continuously since 1934, has had knowledge of the fact that Cold Metal and or the Trustee were proceeding with suitable actions in the Courts to protect their interests under said patents, (d) that United was fully informed as to each such action filed by Cold Metal and or the Trustee for the protection of their rights from a time shortly after the institution of each such action, (e) that United, in some of such actions, has assisted the defendants therein in their efforts to invalidate either or both of said patents Nos. 1,779,195 and 1,744,016, (f) that United, in 1934, complained about Cold Metal's actions in instituting suits against United's customers for infringement of patent No. 1,779,195 but subsequently withdrew such complaints, and (g) that United, despite its knowledge of the actions of Cold Metal and the Trustee in instituting, maintaining and prosecuting actions for infringement of patents Nos. 1,779,195 and 1,744,016, remained silent and acquiesced in the actions of Cold Metal and the Trustee; wherefore, United has been guilty of laches and is estopped from maintaining its complaint and counterclaim.

41. Cold Metal and the Trustee further aver (a) that they have, at all times, and in all of their dealings with users of mills partially purchased from United and users of mills partially purchased from others, recognized and given effect to the adjudications of this Court and the Court of Appeals and, in said dealings, have called such decisions to the attention of such users, (b) that Cold Metal and the Trustee, continuously since prior to 1934 and with the knowledge of United, have been characterizing the 1927 Cold Metal-United agreement and United's rights thereunder in strict accord with the pertinent and then extant decisions of this Court in respect of said agreement and United's rights thereunder, (c) that United, for about 15 years prior to the filing of its complaint and counterclaim, has had knowledge of the characterizations, assertions and contentions made [fol. 294] by Cold Metal and/or the Trustee, (d) that United, in 1934, complained about Cold Metal's characterization of and statements regarding United's alleged rights

in patent '195 under the 1927 agreement but subsequently abandoned such complaints, dismissing voluntarily its action in Equity No. 5059 in the District Court at Cleveland wherein it had made such complaints, and (e) that, for more than ten years and with knowledge that Cold Metal and/or the Trustee were spending large sums of money in the protection of their rights, United has remained silent and acquiesced in such conduct on the part of Cold Metal; wherefore, United has been guilty of laches and is estopped in respect of the causes of action alleged in its complaint and counterclaim.

42. Cold Metal and the Trustee further aver (a) that, for more than ten years, it has, on repeated occasions, indemnified and offered to indemnify purchasers of certain 4-high mills from "unlicensed third parties" and purchasers of parts of 4-high mills from United against any claims for infringement that may be made against them by United in respect of such mills, (b) that United, for more than ten years, has had knowledge of the practices of Cold Metal and/or the Trustee in this regard, (c) that United, in Equity No. 2991, in 1940, complained about such action on the part of Cold Metal and sought to enjoin Cold Metal from offering to others any agreement purporting to grant a license under patent '195 or any agreement offering to hold any person or company harmless in the manufacture, sale or use of mills coming within the scope of United's rights under the 1927 agreement, (d) that this Court denied United's motion for leave to file a counterclaim complaining about such conduct, (e) that United did not appeal from that decision [fol. 295] and took no further action such as the Court indicated that United might do, and (f) that, from February, 1942 until March 28, 1949, a period of over seven years, United took no action in this regard, although it had definite knowledge that, in the meantime, Cold Metal and/or the Trustee were continuing to offer to others and did enter into agreements with others, commencing as early as 1942, similar to those about which United complained; wherefore, the alleged causes of action set forth in the complaint and counterclaim are barred by United's laches and United is estopped from asserting such alleged rights.

43. Cold Metal and the Trustee further aver (a) that the

practice of Cold Metal of granting licenses to others under patents Nos. 1,779,195 and 1,744,016 in respect of mills manufactured and sold by United and in respect of mills manufactured and sold by others and the collection of royalties thereunder commenced at least as early as 1930 when said patents were granted, (b) that throughout the years from 1930 to 1945, inclusive, many such licenses were granted by Cold Metal, (c) that, in 1945 and 1946, Cold Metal and/or the Trustee continued in this course of conduct granting such licenses to others, (d) that, commencing at least as early as 1940, Cold Metal and/or the Trustee effected settlement and license agreements with many users of mills, some of which were manufactured and sold by United and some of which were manufactured and sold by others, such settlement and license agreements involving not only patents Nos. 1,779,195 and 1,744,016 but also other patents owned by Cold Metal and/or the Trustee, (e) that, prior to 1941, although it had full knowledge of the activities [fol. 296] of Cold Metal in this regard, United made no complaint whatsoever to Cold Metal, or otherwise, in regard thereto, (f) that, in June, 1941, in Equity No. 2991, United filed a motion for leave to file a counterclaim complaining about the activities of Cold Metal in entering into license and settlement agreements such as the one Cold Metal entered into with Carnegie-Illinois Steel Corporation in 1940, (g) that this Court denied such motion and United failed to appeal therefrom or take any further action such as that suggested by this Court in its denial of United's motion, (h) that, thereafter, on many occasions and with the knowledge of United, Cold Metal and/or the Trustee entered into further settlement and license agreements with others relating to mills manufactured and sold by United and relating to mills manufactured and sold by others, and (i) that, although United had full knowledge of Cold Metal's activities, during the years 1930 to 1940, inclusive, and from 1941 to 1949, inclusive, except as just stated, it made no complaint whatsoever in respect of the course of conduct followed by Cold Metal and/or the Trustee; wherefore, United is guilty of laches and is estopped in respect of the alleged causes of action set forth in the complaint and counterclaim.

44. Cold Metal and the Trustee further aver (a) that any

rights which United may have acquired under the 1927 agreement are expressly limited by that agreement to the so-called common subject-matter claims and are further expressly limited to only a portion of the mills and methods covered thereby, (b) that United, at no time, either under the 1927 agreement or otherwise, acquired any rights under patent No. 1,744,016, and (c) that, therefore, Cold Metal and the Trustee had the full right to institute and maintain [fol. 297] actions for infringement against others, including users of mills purchased wholly or in part from United and users of mills purchased wholly or in part from other sources, for the purpose of protecting their rights under said patents and to collect from such users suitable sums in settlement of their past infringements upon said patents and royalties for operations under said patents.

Wherefore, Cold Metal and the Trustee pray that United's "Ancillary Complaint and Counterclaim," as filed originally and as amended, be dismissed, that Cold Metal and the Trustee be awarded their costs in this action, including reasonable attorneys' fees, and that they be granted such other and further relief as to the Court may seem just.

The Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, by William H. Webb, Clarence B. Zewadski, William Wallace Booth, Attorneys for Defendants.

Webb, Mackey & Burden; Whittemore, Hulbert & Belknap; Reed, Smith, Shaw & McClay, of Counsel.

October 24, 1952.

[Vol. 298] SUPREME COURT OF THE UNITED STATES, OCTOBER
TERM, 1955

No. 76

THE COLD METAL PROCESS COMPANY and the UNION NATIONAL
BANK OF YOUNGSTOWN, OHIO, Trustees, Petitioners,

vs.

UNITED ENGINEERING & FOUNDRY COMPANY

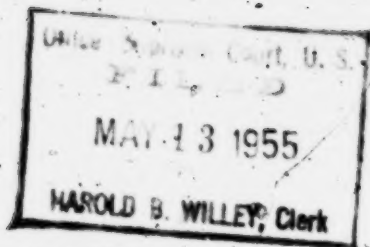
ORDER ALLOWING CERTIORARI—Filed October 10, 1955

The petition herein for a writ of certiorari to the United States Court of Appeals for the Third Circuit is granted, and the case is assigned for argument immediately following No. 34. Oral argument in each case will be limited to 45 minutes a side.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

(5386-6)

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SUPREME COURT, U. S.



IN THE
Supreme Court of the United States

NO. ~~793~~ 76

OCTOBER TERM, 1954

THE COLD METAL PROCESS COMPANY and THE
UNION NATIONAL BANK OF YOUNGSTOWN,
OHIO, TRUSTEE, Petitioners,

v.

UNITED ENGINEERING & FOUNDRY COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

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Of Counsel

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IN THE
Supreme Court of the United States

NO.

OCTOBER TERM, 1954

**THE COLD METAL PROCESS COMPANY and THE
UNION NATIONAL BANK OF YOUNGSTOWN,
OHIO, TRUSTEE, Petitioners,**

v.

**UNITED ENGINEERING & FOUNDRY COMPANY,
Respondent.**

**PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT**

*To the Honorable Chief Justice and the Associate
Justices of the Supreme Court of the United States:*

Petitioners pray that a writ of *certiorari* issue to review the order of the United States Court of Appeals for the Third Circuit, entered on April 21, 1955, in the above-entitled case, denying petitioners' motion to dismiss respondent's appeal for lack of jurisdiction.

Opinions Below.

The opinion of the District Court is unreported and is printed in Appendix B hereto, *infra*, pages 16-29. The

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opinion of the United States Court of Appeals is not yet reported and is printed in Appendix B hereto, *infra*, page 34.

Jurisdiction.

The order of the Court of Appeals was entered on April 21, 1955 (Appendix B, *infra*, p. 35). The jurisdiction of this Court is invoked under 28 U.S.C., Section 1254 (1).

Questions Presented.

The following questions are presented:

1. When more than one claim for relief is presented in an action, does the entry of an order by the District Court, granting a money judgment on one claim but which leaves completely unadjudicated a counterclaim arising out of the same transaction, with an express determination that there is no just reason for delay and directing entry of judgment pursuant to Rule 54 (b) of the Federal Rules of Civil Procedure, automatically and conclusively create a final appealable order conferring immediate jurisdiction in the Court of Appeals?

2. If Rule 54 (b) is construed so as to confer appellate jurisdiction whenever a District Court applies the formula of the Rule, where the Court of Appeals would not have had jurisdiction prior to the enactment of amended Rule 54 (b), does the Rule go beyond the rule-making powers of the United States Supreme Court in that it expands the jurisdiction of appellate Courts fixed by Section 1291 of Title 28 of the United States Code?

3. Does an order in an action involving a claim and a counterclaim arising out of the same transaction, which

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directs the entry of a money judgment on the claim but leaves completely unadjudicated a counterclaim seeking damages and a setoff, create a final decision from which an appeal lies to the Court of Appeals merely because, pursuant to Rule 54 (b), it recites that "there is no just reason for delay" and directs the entry of judgment?

Rule and Statutes Involved.

The rule and statutory provisions involved are amended Rule 54 (b) of the Federal Rules of Civil Procedure, Section 1291, Title 28, United States Code, "Judiciary and Judicial Procedure," and Sections 2071 and 2072, Title 28, United States Code, "Judiciary and Judicial Procedure." The statutes and amended Rule 54 (b) are printed in Appendix A, *infra*, pp. 13-15. Rule 54 (b) reads as follows:

"When more than one claim for relief is presented in an action, whether as a claim, counterclaim, cross-claim or third-party claim, the court may direct the entry of a final judgment upon one or more but less than all of the claims only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment. In the absence of such determination and direction, any order or other form of decision, however designated, which adjudicates less than all the claims shall not terminate the action as to any of the claims, and the order or other form of decision is subject to revision at any time before the entry of judgment adjudicating all the claims."

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Statement.

The Cold Metal Process Company (hereinafter referred to as "Cold Metal"), on November 17, 1934, filed its complaint seeking specific enforcement of an agreement of June 20, 1927 against respondent.* Under that agreement, respondent was entitled to receive certain license rights, under what later became United States Letters Patent No. 1,779,195, and Cold Metal was to receive royalty payments for those rights. After final hearing, the District Court granted specific performance, holding Cold Metal entitled to recover against respondent and ordering an accounting to determine the amount to be paid by respondent. The District Court's decree in this respect was affirmed on appeal (107 F. 2d 27). Thereafter, an accounting was had before a Master. While the action was pending before the Master, respondent was granted leave by both the District Court and the Court of Appeals to file a counterclaim seeking damages, and a setoff against any judgment entered in favor of petitioners. That counterclaim remains completely unadjudicated.

On May 28, 1954, the report of the Master on petitioners' claim was filed, in which he awarded petitioners the sum of \$387,650.00. Objections were filed to that report. On January 19, 1955, the District Court filed its opinion (Appendix B, *infra*, pp. 16-29) and entered an order (Appendix B, *infra*, p. 30) confirming the

* The jurisdiction of the District Court in this case was based on diversity of citizenship and the amount in controversy pursuant to Sec. 24 of the Judicial Code (now Title 28 United States Code, Section 1332).

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Master's report and directing the Clerk to enter judgment in favor of petitioners in the sum of \$387,650.00.

Respondent, on February 7, 1955, appealed to the Court of Appeals and petitioners moved to dismiss that appeal on the ground that it was not a final appealable decision in view of the counterclaim seeking a setoff and in view of the fact that it did not contain the express determinations required by Rule 54 (b). On March 21, 1955, the Court of Appeals held the judgment was not a final decision and dismissed respondent's appeal without prejudice to the right of respondent to apply to the District Court for a new order (Appendix B, *infra*, p. 31). Thereafter, the order of January 19, 1955 was vacated and an amended order was entered on Court is printed in Appendix B, *infra*, pages 32-33. That amended order is substantially identical with the original order of January 19, 1955, except that it includes an express determination under Rule 54 (b) that "there is no just reason for delay." It does not in any way attempt to adjudicate respondent's counterclaim.

Respondent, on March 31, 1955, appealed from the order and judgment of March 30, 1955. Petitioners moved to dismiss that appeal on the ground that the amended order and judgment from which the appeal had been taken do not constitute a final decision under Title 28, United States Code, Section 1291, since there has been no adjudication of respondent's counterclaim seeking an accounting, damages and a setoff on the basis of facts arising out of the same transaction as that on which the complaint was based. On April 21, 1955 (Ap-

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pendix B, *infra*, p. 35), the Court of Appeals entered an order denying the motion and filed an opinion (Appendix B, *infra*, p. 34), holding that the determination made pursuant to Rule 54 (b) "is the very kind of thing Rule 54 (b) was written to provide for," thus holding, in accord with its earlier decision in *Bendix Aviation Corp. v. Glass*, (3 Cir., 1952) 195 F. 2d 267, that the determination of the District Court as to finality under Rule 54 (b) conferred jurisdiction upon the Court of Appeals, irrespective of the presence of the unadjudicated counterclaim arising out of the same transaction.

Reasons for Granting the Writ.

**1. THE CONFLICT AMONG AND
WITHIN THE CIRCUITS.**

The decision of the Court below in this case is in direct conflict with the decision of the Court of Appeals for the Second Circuit in *Flegenheimer v. General Mills, Inc.*, (2 Cir., 1951) 191 F. 2d 237, and the Court of Appeals for the District of Columbia Circuit in *Gold Seal Co. v. Weeks*, (C.A. D.C., 1954) 209 F. 2d 802. It is in accord with the earlier decision of the Court of Appeals for the Third Circuit in *Bendix Aviation Corp. v. Glass*, (3 Cir., 1952) 195 F. 2d 267. It is in accord with the decision of the Court of Appeals for the First Circuit in *Boston Medical Supply Co. v. Lea & Febiger*, (1 Cir., 1952) 195 F. 2d 853. The decision of the Court below is also in accord with the decision of the Court of Appeals for the Seventh Circuit in *Bruce A. Mackey et al. v. Sears, Roebuck & Co.*, (7 Cir., 1955) 218 F. 2d 295, in respect of which this Court, No. 617, October Term, 1954, on March 28, 1955, granted *certiorari* on a petition

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raising questions substantially identical with the first two questions presented here.

In the Second Circuit, there is a conflict between two panels of the Court, which has been expressed by Judges Learned Hand, Clark and Frank in three different cases: *Pabellon v. Grace Line, Inc.*, (2 Cir., 1951) 191 F. 2d 169; *Flegenheimer v. General Mills, Inc.*, (2 Cir., 1951) 191 F. 2d 237; *Lopinsky v. Hertz Drive-Ur-Self Systems, Inc. et al.*, (2 Cir., 1951) 194 F. 2d 422.

In the Third Circuit, a panel of that Court, in the *Bendix* case, *supra*, first decided the question in accordance with the views of the majority in the Second Circuit, but that opinion was withdrawn and the Court, sitting *en banc*, reversed itself with two judges disagreeing on the point involved in a special concurring opinion.*

Both the Court of Appeals for the Second Circuit (*Flegenheimer v. General Mills*, 191 F. 2d 237, 241), and the Court of Appeals for the Seventh Circuit (*Bruce A. Mackey et al. v. Sears, Roebuck & Co.*, 218 F. 2d 295) indicated the necessity for this Court to decide the important questions presented in those cases, which are

* *Bendix Aviation Corp. v. Glass*, (3 Cir., 1952) 195 F. 2d 267; Moore's Federal Practice, page 222, footnote 16; As to the *Bendix* case, Moore states:

"On the first hearing, the Third Circuit held that the order in question lacks finality for purpose of appeal: it was not final under prior law; and amended 54 (b) should not be construed as authorizing a district court by certificate to make an order final that would not have been under prior law. * * * This opinion was withdrawn and a rehearing held *en banc*. The withdrawn opinion now appears in substance as the concurring opinion of Judges Hastie and Kalodner."

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the same as those presented here, and, as stated, this Court granted *certiorari* in the *Sears, Roebuck* case. Like action should be taken by this Court in this case.

The position taken by the Court below in this case is that, in a multiple claim action, when the District Court enters an order as to one claim only and invokes the talismanic language prescribed by Rule 54 (b), a final appealable order is created conferring immediate appellate jurisdiction, irrespective of the fact that, under the historic practice prevailing prior to the Rules of Civil Procedure and also under original Rule 54 (b), the decision of the District Court would not have been considered as a final decision.*

The opposing view taken by the Second and District of Columbia Circuits, by the Third Circuit on its first hearing in the *Bendix* case, and by Circuit Judges Hastie and Kalodner after rehearing in the *Bendix* case, is that the finding of a District Court Judge cannot be given

* Thus the authorities uniformly held that, in cases involving a claim and a counterclaim arising out of the same transaction, no appeal would lie from a judgment disposing only of the claim and leaving the counterclaim adjudicated: *Bowker v. United States*, (1902) 186 U. S. 135; *Winters v. Ethell*, (1889) 132 U. S. 207, 210; *General Electric Co. et al. v. Marvel Rare Metals Co. et al.*, (1932) 287 U. S. 430, 432; *Nachtman v. Crucible Steel Co. of America*, (3 Cir., 1948) 165 F. 2d 997; *Audi Vision Inc. et al. v. RCA Mfg. Co., Inc.*, (2 Cir., 1943) 136 F. 2d 621; *Eastern Transportation Co. v. United States*, (2 Cir., 1947) 159 F. 2d 349; *Petrol Corporation v. Petroleum Heat & Power Co., Inc. et al.*, (2 Cir., 1947) 162 F. 2d 327; *Toomey et al. v. Toomey et al.*, (C.A. D.C., 1945) 149 F. 2d 19; *Libbey-Owens-Ford Glass Co. v. Sylvania Industrial Corporation et al.*, (2 Cir., 1946) 154 F. 2d 814.

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this conclusive effect and that the Courts of Appeals must make their own independent determination in the light of the decided cases as to whether a final order has, in fact, been entered, and as to whether they, therefore, do or do not have appellate jurisdiction. Under this view, it is argued that, had the Supreme Court intended the "strange anomaly" of having District Court Judges determine the jurisdiction of the Court of Appeals, it would have expressed itself directly and would not have relied upon an oblique construction of the language contained in a rule of District Court procedure. It is argued further that, if the Supreme Court did intend this result, then the Supreme Court may well have exceeded its rule-making power by extending the boundaries of appellate jurisdiction laid down in Section 1291 of Title 28 of the United States Code.

2. THE IMPORTANCE OF THE QUESTIONS INVOLVED.

The best evidence of the importance of the jurisdictional issue raised in this case is the fact that this Court has already granted *certiorari* in the *Sears, Roebuck & Co.* case (No. 617, October Term, 1954). This Court evidently recognized the existence of the serious conflict which has developed among and within the Courts of Appeals in respect of the issues raised here. A resolution of the issues is of paramount importance in determining at what point there is appellate jurisdiction to review orders of the District Court. Of equal or greater importance is the possibility that the interpretation given Rule 54 (b) by the Court below in this case and in the *Bendix* case (*supra*, p. 10) may be one which renders the rule invalid as expanding the boundaries of appel-

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late jurisdiction set by Congress in 28 U.S.C., Section 1291. Since the conflict has developed over the proper interpretation to be given to a rule promulgated by this Court, it is peculiarly within the province of this Court to elucidate what it intended to be the effect of the rule.

3. THE DECISION OF THE COURT BELOW
IS BELIEVED TO BE ERRONEOUS.

In view of the fact that *certiorari* has already been granted by this Court in the *Sears, Roebuck* case, and in view of the detailed opinions written by distinguished judges, stating their reasons for believing the interpretation of Rule 54 (b) followed by the Court below in this case is erroneous, it would be superfluous to attempt to add anything at this time. In this connection, see Judge Hastie's opinion in *Bendix Aviation Corp. v. Glass*, 195 F. 2d 267, 277; Judge Learned Hand's opinion in *Flegenhimer v. General Mills, Inc.*, 191 F. 2d 237; and Judge Frank's opinion in *Pabellon v. Grace Line, Inc.*, 191 F. 2d 169, 176. We submit that the views expressed by these judges are correct and that the decision of the Court below is erroneous.

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4. THE INTERLOCUTORY NATURE OF THE ORDER
ENTERED BY THE COURT OF APPEALS
HAS LITTLE OR NO BEARING UPON THE
GRANTING OF THIS PETITION.

Under the *certiorari* jurisdiction of this Court to grant petitions either "before or after rendition of judgment or decree" (28 U.S.C., Section 1254 (1)), this petition can be and should be granted, as is evidenced by the granting of the petition in the *Sears, Roebuck* case. This Court has not hesitated in the past to grant petitions from interlocutory decrees or orders where the importance of the question in conflict among the Courts of Appeals has warranted it.* In addition to the *Sears, Roebuck* case, this Court granted *certiorari* to review interlocutory orders involving the construction or validity of certain rules of the Federal Rules of Civil Procedure in *Hickman v. Taylor et al.*, (1947) 329 U.S. 495 and in *Sibbach v. Wilson & Co., Inc.*, (1941) 312 U.S. 1.

Of great importance is the fact that, if this petition is not entertained at this time, it will almost certainly not come up again. If the question of appellate jurisdiction under Rule 54 is ever going to be resolved by the Supreme Court, it must be brought before it precisely at the stage at which these proceedings now are. Unless this Court resolves the issues raised in this petition, the confusion and conflict over the proper scope of Rule 54(b) can only get worse.

* *American Construction Company v. Jacksonville T. & K. W. Railway Company*, (1893) 148 U.S. 372; *Land, et al. v. Dollar, et al.*, (1947) 330 U.S. 731; *Stack et al. v. Boyle*, (1951) 342 U.S. 1.

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Conclusion.

It is respectfully submitted that, in view of the importance of the questions raised here with respect to Federal appellate jurisdiction, in view of the serious conflicts within and between the Courts of Appeals, and in view of the pendency of the *Sears, Roebuck* case before this Court involving like questions, this petition should be granted.

Respectfully submitted,

WILLIAM H. WEBB

Counsel for Petitioner

CLARENCE B. ZEWADSKI

WILLIAM WALLACE BOOTH

Of Counsel

Appendix A.**APPENDIX A .****Statutes and Rule Cited.****RULE 54 (b) OF THE FEDERAL RULES OF
CIVIL PROCEDURE****Rule 54. Judgments; Costs.**

(b) *Judgment Upon Multiple Claims.* When more than one claim for relief is presented in an action, whether as a claim, counterclaim, cross-claim, or third-party claim, the court may direct the entry of a final judgment upon one or more but less than all of the claims only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment. In the absence of such determination and direction, any order or other form of decision, however designated, which adjudicates less than all the claims shall not terminate the action as to any of the claims, and the order or other form of decision is subject to revision at any time before the entry of judgment adjudicating all the claims.

28 U.S.C., SECTION 1254 (1)**§ 1254. Courts of Appeals; certiorari; appeal; certified questions.**

Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree;

Appendix A.**28 U.S.C., SECTION 1291****§ 1291. Final decisions of district courts.**

The courts of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the District Court for the Territory of Alaska, the United States District Court for the District of the Canal Zone, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court. -June 25, 1948, c. 646, 62 Stat. 929.

JUDICIAL CODE, SECTION 24

[Old 28 U.S.C.A., Sec. 41 (1)]

Original jurisdiction. The district courts shall have original jurisdiction as follows:

(1) *United States as plaintiff; civil suits at common law or in equity.*—First. Of all suits of a civil nature, at common law or in equity, brought by the United States, or by any officer thereof authorized by law to sue, or between citizens of the same State claiming lands under grants from different States; or, where the matter in controversy exceeds, exclusive of interest and costs, the sum or value of \$3,000 and (a) arises under the Constitution or laws of the United States, or treaties made, or which shall be made, under their authority, or (b) is between citizens of different States, * * *

28 U.S.C., SECTION 2071**§ 2071. Rule-making power generally.**

The Supreme Court and all courts established by Act of Congress may from time to time prescribe rules for the conduct of their business. Such rules shall be

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consistent with Acts of Congress and rules of practice and procedure prescribed by the Supreme Court. June 25, 1948, c. 646, 62 Stat. 961, amended May 24, 1949, c. 139, § 102, 63 Stat. 104.

28 U.S.C., SECTION 2072**§ 2072. Rules of civil procedure for district courts.**

The Supreme Court shall have the power to prescribe, by general rules, the forms of process, writs, pleadings, and motions, and the practice and procedure of the district courts of the United States and of the District Court for the Territory of Alaska in civil actions.

Such rules shall not abridge, enlarge or modify any substantive right and shall preserve the right of trial by jury as at common law and as declared by the Seventh Amendment to the Constitution.

Such rules shall not take effect until they have been reported to Congress by the Chief Justice at the beginning of a regular session and until after the close of such session.

All laws in conflict with such rules shall be of no further force or effect after such rules have taken effect. Nothing in this title anything therein to the contrary notwithstanding, shall in any way limit, supersede, or repeal any such rules heretofore prescribed by the Supreme Court. June 25, 1948, c. 646, 62 Stat. 961, amended May 24, 1949, c. 139, § 103, 63 Stat. 104; July 18, 1949, c. 343, § 2, 63 Stat. 446.

*Appendix B.***APPENDIX B****Opinions and Orders Below.****OPINION OF THE DISTRICT COURT,
DATED JANUARY 19, 1955**

WILLSON, D. J.

Both parties have filed objections to the report of a Special Master appointed by the court to ascertain what payment is due from defendant to plaintiffs. Plaintiffs are Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, herein to be called "Cold Metal." Defendant is the United Engineering and Foundry Company, herein to be called "United." A written contract executed between these parties, dated June 30, 1927, is the basis for this twenty year legal battle. The decision of the Court of Appeals of this Circuit, 107 F. 2d 27, held that the contract of June 30, 1927 is a valid and subsisting agreement between the parties and pursuant to the mandate of the Court, dated June 15, 1939, Judge McVicar appointed J. Garfield Houston,

"* * * a Master to ascertain, state and report to this Court the total amount of money due to the plaintiff from the defendant under the 1927 agreement up to the date hereof, and the basis of payment on mills coming under said contract which may hereafter be made and sold by the defendant."

The decree also required:

"5. That defendant shall pay to the plaintiff such amount as may be due to the plaintiff from the defendant under the 1927 agreement on mills made and sold by the defendant prior to the date hereof.

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"6. That a determination be made of the basis and amount of payment to be made by the defendant to the plaintiff on mills made and sold by the defendant under and pursuant to the 1927 agreement subsequent to the date hereof."

The Special Master was appointed in July of 1943. He held extensive hearings. His printed report was filed May 28, 1954. He held United indebted to Cold Metal for royalties on 91 mills listed in Appendix "B" to his report in the total amount of \$387,650.00. He further held that Cold Metal is not entitled to an allowance of interest on the aforesaid indebtedness prior to the filing of the Master's report. Cold Metal lists forty-five objections to the report of the Special Master and United lists some twenty-three objections to the report.

The history of the present case is found in the Opinion of Judge Buffington, reported 107 F. 2d 27. The Master's printed report contains some one hundred sixty-eight pages, comprising one hundred and one Findings of Fact and twenty-four Conclusions of Law. The report is comprehensive in all respects. The various issues raised by the parties are fully explored and discussed in detail. Each of the parties has filed briefs in support of their objections to the report of the Special Master, and each of the parties has filed a reply brief in answer to the main brief of the opposing party. Oral argument has been held on the objections so that, under Rule 53, Rules of Civil Procedure, it is the duty of this Court to adopt the report of the Special Master, or it may be modified; or it may be rejected in whole or in part, or further evidence may be received, or it may be recommitted to the Special Master with instructions. As this is an action

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tried without a jury, I am required to accept the Special Master's findings of fact unless clearly erroneous.

The agreement of June 20, 1927 was held by this Court, the case being then before Judge McVicar, and by the Court of Appeals, to be a "valid and subsisting contract" for an exclusive license to United from Cold Metal under Patent 1,779,195. Judge McVicar's decision was filed January 4, 1938, but was apparently not sent to the publisher until nearly ten years later, and is found in 83 F. Supp. 914. In the opinion of the Court of Appeals, 107 F. 2d 27, Judge Buffington says, on page 32:

"The agreement of 1927 is, as Judge McVicar found, 'a valid and subsisting contract' for a license. This 'contract' has been partly performed and equity requires that it be completed by supplying the amount which United must pay for the license in accordance with the intention of the parties. [Citing cases] The evidence shows what that intention was, for the parties had an 'understanding' as to what the royalties would be and what that understanding was can readily be ascertained from the evidence by the master appointed or to be appointed by the District Court."

This case was first heard by this present Court at argument on the objections to the report of the Special Master. It seems that the decision, 107 F. 2d 27, was intended by the Court of Appeals as a final one which defined the rights of the parties, leaving merely the computation of the amount due to be determined by the Special Master. However, the decision has not been accepted by the litigants as final or as a decision determining the issues between them.

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The present issue is, first, the rate of the royalty required to be paid by United to Cold Metal under the 1927 agreement. Judge McVicar held in this case, 83 F. Supp. 914, that plaintiff is entitled to a decree providing for a determination of the amount due from defendant under the contract to the date of his decision, January 4, 1938, and the basis of payment to be made thereafter. However, he said on a vital point that the exchange of letters in January, 1928, between the parties did not constitute a contract agreement as to the royalty rate. Without limiting the findings to the January, 1928 exchange of letters, the Court of Appeals said that "the evidence shows what that intention was, for the parties had an 'understanding' as to what the royalties would be and what that understanding was can readily be ascertained from the evidence. * * *"

As the parties did not agree on an interpretation of the decision of the Court of Appeals, 107 F. 2d 27, the proceedings before the Special Master were bitterly fought from beginning to end. The Special Master held that the royalty rate to be paid by United was based on the January 1928 letters. Cold Metal says that this ruling is error and contrary to this Court's rulings and to the decree on mandate and should be reversed and the case sent back to the Master to receive evidence in regard to the value of the rights obtained by United under the 1927 agreement. On the facts found by him, the Master's first nine Conclusions of Law relate to the royalty to be paid by United to Cold Metal under the 1927 contract. The case was before the Special Master for more than ten years. This particular case has been before the Court of Appeals on three occasions. It has been referred to in

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many other decisions of the various courts. What Judge McVicar held and what the Court of Appeals held in this case has been referred to by Chief Judge Biggs in litigation between the parties, 190 F. 2d 217. On what appears to this Court as being ample evidence, and upon careful consideration of the various issues, the Special Master found that the exchange of letters of January, 1928 fixed the royalty rate. Under the decisions of this Court, as written by Judge McVicar, and under the decision of the Court of Appeals, 107 F. 2d 27, I am in full agreement with the Special Master on this phase of the case.

United has heretofore contended that the royalty rate is shown in the January, 1928 letters, but before the Master took the position that by reason of failure of consideration or by reason of failure of performance on the part of Cold Metal it has no obligation to pay royalties in any amount. Much of the proceedings before the Master are concerned with this defense asserted by United. This defense is strongly urged upon the Court by United as it was rejected by the Special Master. When United's defense of failure of consideration was first raised before the Master, he first held that this defense was not available to United because such a defense appeared to be inconsistent with a decree for specific performance of the 1927 contract. Cold Metal contended before the Special Master that if this defense was raised in Equity 2991 it was not sustained, and therefore the matter is *res adjudicata*. The Master says that the defense of failure of performance was not pressed either in the District Court or the Court of Appeals. In his discussion he says the two main issues which were argued were whether the 1927 contract should be rescinded and whether the parties had reached an understanding as

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to the royalty rate. The Special Master sets forth the facts on which United relies to constitute failure of consideration under the following captions:

(a) The failure of Cold Metal to grant a license when it obtained patent 195.

(b) Cold Metal's filing of Equity 2506 charging United as an infringer under patent 195.

(c) Cold Metal's enjoining of United from bringing suits against infringers of patent 195.

(d) Cold Metal's supplemental bill in Equity 2991 praying for the rescission of the 1927 contract.

(e) Statements of counsel for Cold Metal and its officers that United did not have a license under the 1927 contract:

(f) Filing of suits for infringement against purchasers of mills from United.

(g) Cold Metal's licensing of users of mills under patent 195.

The Special Master carefully reviewed the evidence to ascertain whether Cold Metal failed to perform its obligations under the 1927 contract, and whether any failure, if there was a failure, was justified by the conduct of United; and also if there was a failure to perform on the part of Cold Metal, whether it was of so material a nature as to wholly defeat Cold Metal's claim for royalties. Again, it is the opinion of this Court that the Special Master carefully and minutely dealt with this subject. He gave this defense his full consideration. His Findings of Fact on this phase of the case cannot be said to be clearly erroneous. This Court has serious doubt that the defense of failure of consideration was available to United under the decisions of this Court and of the Court

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of Appeals. In this case, Judge McVicar has referred to the original pleadings. It appears that one of the issues in this case, No. 2991, has always been a determination of the amount due plaintiff under the 1927 agreement. The failure to perform on the part of United or failure of consideration under the contract are defenses against a claim for royalties asserted by Cold Metal in this case. It seems to this Court, as Cold Metal contends, that the judgment of specific performance in this case stands as a bar, not only as to every matter which was offered and received to defeat Cold Metal's claim for specific performance, but as to any other admissible matter which might have been offered for that purpose. See *Cromwell v. County of Sac.*, 94 U.S. 351. However, the Special Master has made Findings of Fact and Conclusions of Law with respect to the defense now under consideration and has concluded that this defense is not to defeat the royalty payments. Therefore, as this defense of United on its merits has been rejected by the Special Master, this Court is not now required to rule as to whether the defense was available to United in the first instance,

United contends, and Cold Metal denies, that payment of royalties was to be postponed until Patent 195 had been held valid. The Master found (Findings 96 and 97) that subsequent to the execution of the contract of 1927, the parties agreed that the royalty payments were to be postponed until Patent 195 had been litigated and held valid and further, the Master found that Patent 195 was litigated and held valid in Equity 2506 in this Court, 3 F. Supp. 120, decided January 9, 1933. Again, the Master's findings with respect to this issue do not appear to be clearly erroneous and must therefore be accepted.

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One of the issues before the Special Master was whether United was liable for royalties on mills sold by it to purchasers outside the United States. On this subject the Master's Findings are Nos. 98 and 99 and the Conclusion is No. 16, in which he held United not liable for royalties on thirty-two mills which were sold and delivered to customers beyond the territorial limits of the United States. This issue involves the construction of the 1927 contract. The Special Master refers to the scope of the license to be granted under the agreement and to the extent of the rights granted by a patent as provided in revised Statute Section 4884, formerly 35 U.S.C.A. 40, which was then in effect. The special Master reviews the contract and the literal wording thereof, but concludes, however, that having regard to the rules of Patent Law the express language cannot be taken literally. The Patent statute gives no protection to a patentee outside of the United States and its territories. It is obvious that anyone could with impunity make, use and sell the invention covered by Patent 195 outside the United States. In this connection, the Master refers to *Hewitt v. American Telephone and Telegraph Company*, 272 Fed. 194, which holds that when a licensee is sued for royalties and the question is whether the product of the licensee comes under the claims of the patent involved, the test of liability is whether the licensee would be an infringer under the rules of patent law if he held no license. The Master holds that the liability of United with respect to the mills sold to foreign purchasers should be determined in accordance with the rules of Patent Law, which would be applied in determining whether a non-licensee was an infringer if he acted in all respects as United did. The Special Master classifies the

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foreign mills into two groups. The one group comprising seventeen mills for which the bearings for the backing rolls were made for United in Sweden and shipped direct from Sweden to the foreign purchasers with all other parts of the mills having been made by or for United in the United States, except as to mills numbers 104 and 123, in which the bearings for the work rolls were made in Sweden and were shipped direct to Japan. One mill, number 116, sold to a British purchaser, Cold Metal concedes that United is not liable for, as all the bearings were supplied by the purchaser.

An examination of the record, Report of the Master and of the briefs of counsel indicate that the Master has given careful consideration to the issues raised with respect to the foreign mills. His findings of fact do not appear to be clearly erroneous and therefore must be accepted. His Conclusion of Law No. 16 is correct.

To briefly summarize what has been discussed, a reference to the Opinion in 107 F. 2d 27 is again helpful, where it is said:

"This 'contract' has been partly performed and equity requires that it be completed by supplying the amount which United must pay for the license in accordance with the intention of the parties."

Also, the Court of Appeals, in its decision of June 8, 1951, 190 F. 2d 217, said, with reference to the royalty here discussed, page 219:

"In substance it had been determined that United had an exclusive license from Cold Metal to make, use and sell the four-high mills covered by the 1927 agreement and that United should pay royalties to Cold Metal in an amount to be determined by the Court below."

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The parties to this litigation do not reach the same result in an interpretation of the decisions of Judge McVicar and of the Court of Appeals. For instance, Cold Metal repeatedly refers to the phrase "value of the license" used by Judge McVicar in contending that the Special Master was required to receive evidence to determine the basis upon which payments should be made by United. Cold Metal asserts that the Special Master completely misconceived the source of his authority and failed to follow this Court's decree from which his authority emanated. Cold Metal says that the Court of Appeals clearly did not reverse this Court's findings that the parties did not consider that the letters relied upon by defendant constituted an agreement as to the royalty rate, and therefore it was improper for the Special Master to adopt a construction of the Court of Appeals' Opinion directly in conflict with this Court's holding. Cold Metal still contends that United was to pay it the true value of the rights granted under the 1927 agreement. It says that Judge McVicar, in his decision of February 18, 1942, 43 F. Supp. 375, held that the plaintiff was entitled to an accounting for the "value of the license," and that therefore the Special Master was in error in adopting the January, 1928 letters as the basis for the amount to be paid under the agreement. In that Opinion, which is part of the law of this case, Judge McVicar also said, page 376:

"The decree of this Court in this case, as affirmed by the Circuit Court of Appeals, is final and cannot now be modified or changed."

Certainly, to the extent that Judge McVicar held that evidence must be received to fix the "value of the license," he was overruled by the Court of Appeals in 107 F. 2d 27,

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which, as I read the decision, holds that the parties had reached an agreement as to the rate of royalty to be paid, and that what the understanding was that the parties had reached, was to be ascertained from the evidence already in the case. Under the decisions in this case of this Court and of the Court of Appeals, the Special Master then clearly interpreted the decisions and correctly applied the law to the facts. In writing this decision there has been no attempt to discuss in detail each and every contention of the parties. The Findings and Conclusions of the Special Master on the main issues, that is the rate of royalty and defense of failure of consideration, are in accord with the views of this Court.

United also contends that receipt of payments by Cold Metal from purchasers of United mills discharged United of liability for royalty on such mills. On this issue the Findings of Fact are Nos. 83 to 94, inclusive, and the Conclusion is No. 17. In this connection it is to be recalled that the 1927 agreement did not give United rights co-extensive with the scope of Patent 1,779,195. Patent 1,744,016 has not been involved in this litigation and is not a subject of the 1927 agreement. The Special Master found that Cold Metal, by various license agreements, granted rights under various patents owned by Cold Metal, including Patents 195 and 016. Furthermore, under the Cold Metal license agreements, royalties were collected for the use of mills purchased from mill builders other than United. The findings of the Special Master are not clearly erroneous and are, therefore, adopted, and it is believed that his Conclusion of Law No. 17 is correct.

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Cold Metal claims royalties on mills sold prior to October 21, 1930. The Special Master concluded that United's license rights under the 1927 agreement commenced October 21, 1930, the date when Patent 195 was issued, and ended seventeen years thereafter on October 21, 1947, when the patent expired—Conclusion No. 19. The Special Master was of the opinion that neither the 1927 contract, nor the exchange of letters in January, 1928, gave any indication that royalties were to be paid on mills sold prior to the issuance of Patent 195. The Court is in agreement with the Special Master on this issue. Cold Metal contends, however, that United, under the theory of "licensed use," has admitted liability in the course of litigation between the parties. In this Court's view, the issues here relate to the terms of a contract between the parties to the litigation. Various assertions have been made by each of the parties that the other made admissions on many phases of the litigation. An examination of the various references to purported admissions indicates that many of them were made during the course of argument or in writing briefs in an attempt to clarify a factual situation or interpret the law as counsel then understood it. It is not the view of this Court that the rulings of the Special Master have been based on admissions of fact or of liability by either party. Therefore, this Court finds that United has made no legal admission of liability to pay royalties on mills sold prior to the issuance of Patent 195.

One troublesome issue remains. As on all of the issues, the parties have divergent views on whether United is to be charged interest, and if so, when it should commence. The Special Master, upon a full dis-

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cussion of the question, directs that interest be computed as of the date of filing his report. This date is May 28, 1954. The Special Master held that United's claim is for an unliquidated indebtedness, which requires the exercise of judicial function to determine the amount. Hence the allowance of interest is discretionary. *United States v. Bethlehem*, 113 F. 2d 301, citing Pennsylvania cases.

In Cold Metal's original bill of complaint, filed more than twenty years ago, the basis on which it brought this suit is plainly set forth in paragraph (g), as follows:

"(g) That this Court finally settle and determine the scope of the said 1927 agreement, and determine or have determined by reference to arbitrators or a master or otherwise the amount due plaintiff to date thereunder, and determine the basis for payments to be made by defendant to plaintiff in the future under said 1927 agreement."

In the light of the foregoing, it therefore seems that Cold Metal's action is clearly one for unliquidated damages for a breach of contract and not a suit on a contract for a sum certain due thereunder. Section 337(b) of the Restatement of Contracts. This Court is not unmindful of the recent decision of the Court of Appeals in *Wilson v. Homestead Valve*, decided December 15, 1954, where interest was directed. In the exercise of its discretion, this Court approves the action of the Special Master in holding that Cold Metal is not entitled to an allowance of interest prior to the filing of the Master's report. Interest will be allowed Cold Metal on the sum of \$387,650.00 at the legal rate of 6% from

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May 28, 1954, which was the date the report of the Special Master was filed with the Clerk of this Court.

One final matter. Pursuant to agreement, each party paid one-half of the Special Master's compensation in advance, with the understanding that the Court was to determine how it was to be charged. The total payments amount to \$28,000.00. In addition, the Master was reimbursed for the cost of printing his report in the amount of \$738.92. The report was printed at the request of both parties. Under the special circumstances of this case, it seems fair and equitable to this Court that the compensation of the Special Master be borne equally by the parties hereto. By the same reasoning it is equitable that the costs of printing the Special Master's report be divided equally by the parties, as a Master's report is not usually required to be printed.

The report of J. Garfield Houston, Special Master, is by this Court adopted in all respects.

*Appendix B.***ORIGINAL ORDER OF THE DISTRICT COURT,
DATED JANUARY 19, 1955**

AND NOW, this 19th day of January, 1955, after hearing and argument and upon consideration of the record and the briefs, the Findings of Fact of the Special Master are accepted by the Court, and the Conclusions of Law of the Special Master are held to be correct; and further, the report of the Special Master is by this Court adopted in all respects;

AND FURTHER, the Clerk is directed to enter judgment in favor of the plaintiffs, The Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, and against defendant, United Engineering & Foundry Company, in the sum of \$387,650.00, with interest from May 28, 1954;

AND FURTHER, the compensation paid by the parties to J. Garfield Houston, Special Master, in the sum of \$28,000.00, is believed to be reasonable under all the circumstances, and the same is approved; and as the said compensation has been advanced by the plaintiffs and the defendant in equal amounts, in accordance with an arrangement made by the parties, the same is approved, and it is the order of this Court that the compensation of the Master be charged against each party in equal amounts, and as the same has already been advanced, no part thereof should be taxed as costs; and likewise, as the parties advanced the sum of \$738.92, covering printing costs paid by the Master, said arrangement is also approved, and it is directed that the same be not taxed as costs.

s/ JOSEPH P. WILLSON
D. J.

Appendix B.**ORIGINAL ORDER OF THE COURT OF APPEALS,
DATED MARCH 21, 1955, DISMISSING
UNITED'S FIRST APPEAL****No. 11,562****Present: MARIS, GOODRICH and KALODNER,
Circuit Judges.**

Upon consideration of the motion of the appellees to dismiss the appeal, and of the brief in support thereof; and of the appellant's brief in opposition; and after full hearing;

It is ORDERED that the above-entitled appeal be, and it is hereby dismissed, without prejudice to the right of the District Court, upon application of the appellant, to vacate its judgment entered in this cause on January 19, 1955 and to enter a final judgment therein in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure.

BY THE COURT,**MARIS****Circuit Judge****March 21, 1955**

*Appendix B.***AMENDED ORDER OF THE DISTRICT COURT,
DATED MARCH 30, 1955**

And Now, this 30th day of March, 1955, after hearing counsel for both parties on defendant's motion to vacate the order and judgment entered January 19, 1955, and to enter herein an amended order and final judgment in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure, and upon consideration thereof, the order and judgment heretofore entered on January 19, 1955, are hereby vacated; and this court hereby makes an express determination that there is no just reason for delay in entering an order and final judgment disposing of the issues raised by the Report of the Special Master, filed herein on May 28, 1954, in accordance with this court's opinion filed January 19, 1955; and this court hereby expressly directs the entry of a final judgment herein, as follows:

1. The findings of fact of the Special Master are accepted by the court, and the conclusions of law of the Special Master are held to be correct; and further, the report of the Special Master is by this court adopted in all respects.

2. The Clerk is directed to enter final judgment in favor of the plaintiffs, The Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, and against defendant, United Engineering & Foundry Company, in the sum of \$387,650.00, with interest from May 28, 1954.

3. The compensation paid by the parties to J. Garfield Houston, Special Master, in the sum of \$28,000.00, is believed to be reasonable under all the circumstances,

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and the same is approved; and as the said compensation has been advanced by the plaintiffs and the defendant in equal amounts, in accordance with an arrangement made by the parties, the same is approved, and it is the order of this Court that the compensation of the Master be charged against each party in equal amounts, and as the same has already been advanced, no part thereof should be taxed as costs; and likewise, as the parties advanced the sum of \$738.92, covering printing costs paid by the Master, said arrangement is also approved, and it is directed that the same be not taxed as costs.

s/ JOSEPH P. WILLSON

District Judge

ORDER

And now this 31st day of March, 1955, the parties hereto having been heard, and it appearing to the court that defendant, United, is abundantly able to satisfy the said judgment if it is affirmed, the court orders that enforcement of the judgment, entered herein on March 30, 1955, be stayed pending appeal.

s/ JOSEPH P. WILLSON

United States District Judge

*Appendix B.***OPINION OF THE COURT OF APPEALS,
DATED APRIL 21, 1955****No. 11,582****Argued April 18, 1955****Before GOODRICH, McLAUGHLIN and STALEY,
Circuit Judges.**

Opinion Sur Motion to Dismiss Appeal.**(Filed April 21, 1955)****PER CURIAM**

The appellee in this case has filed a motion to dismiss the appeal of United Engineering & Foundry Company on the ground that the judgment appealed from is not final. A similar motion was made on March 21, 1955, which was granted. The order granting the motion was made "without prejudice to the right of the District Court * * * to enter a final judgment therein in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure."

Following this order United presented to the United States District Court for the Western District of Pennsylvania a motion to vacate its judgment of January 19, 1955, and to enter judgment in accordance with Rule 54 (b). This was done by the district court on March 30, 1955, after argument in open court. We think the determination made under the circumstances of this case is the very kind of thing Rule 54 (b) was written to provide for. We see no violation of discretion on the part of the district judge in entering it.

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The motion of the appellee to dismiss will, therefore, be denied.

A true Copy:

Teste:

*Clerk of the United States Court of
Appeals for the Third Circuit.*

**ORDER OF THE COURT OF APPEALS, DATED
APRIL 21, 1955, DENYING PETITIONERS'
MOTION TO DISMISS**

**Present GOODRICH, McLAUGHLIN and STALEY,
Circuit Judges.**

It is ORDERED that the motion by appellee to dismiss the appeal in the above-entitled case be, and it is hereby denied.

Attest:

IDA O. CRESKOFF

Clerk

April 21, 1955

Office - Supreme Court, U. S.

FILED

JUN 17 1955

HAROLD B. WILLEY, Clerk

IN THE
Supreme Court of the United States

NO. 76

OCTOBER TERM, 1955

**THE COLD METAL PROCESS COMPANY and THE
UNION NATIONAL BANK OF YOUNGSTOWN,
OHIO, TRUSTEE, Petitioners,**

v.

**UNITED ENGINEERING & FOUNDRY COMPANY,
Respondent.**

PETITIONERS' REPLY BRIEF

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Counsel for Petitioners

CLARENCE B. EDWARDS

WILLIAM WALLACE BOOTH

Of Counsel

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**THE COLD METAL PROCESS COMPANY. and THE
UNION NATIONAL BANK OF YOUNGSTOWN,
OHIO, TRUSTEE, Petitioners,**

v.

**UNITED ENGINEERING & FOUNDRY COMPANY,
Respondent.**

PETITIONERS' REPLY BRIEF

In its brief, respondent admits the conflict between various Courts of Appeals on the important jurisdictional issue presented in the case at bar, but asserts that the decision from which it appealed was a final decision and appealable, irrespective of the provisions of Rule 54 (b), and that, hence, jurisdiction in the Court of Appeals was not conferred by Rule 54 (b) and the inclusion of what the District Court termed the "magic sentence" of Rule 54 (b) in the order. The incorrectness of respondent's contention is conclusively demonstrated by the proceedings below.

Petitioners' Reply Brief.

Respondent appealed from the original order of the District Court (Pet. App. B, p. 30), which did not contain the imprimatur of Rule 54 (b). Petitioners moved to dismiss that appeal on the ground of lack of jurisdiction. Respondent argued that the appeal was cognizable by the Court of Appeals, irrespective of Rule 54 (b). The Court of Appeals disagreed with respondent and ordered the dismissal of respondent's appeal because the order from which respondent had appealed was not a final decision (Pet. App. B, p. 31), in view of the pendency of respondent's unadjudicated counterclaim arising out of the same transaction and the absence of the "magic sentence" of Rule 54 (b). On motion, the District Court thereafter vacated the original order and entered a new one containing the words of Rule 54 (b), and respondent again appealed. Petitioners' motion to dismiss that appeal for lack of jurisdiction was denied *solely because the new judgment contained the recital of Rule 54 (b)*. In this regard, the Court below stated:

"* * * the determination made under the circumstances of this case is the very kind of thing Rule 54 (b) was written to provide for."

Thus, the Court of Appeals expressly held that it was the provisions of Rule 54 (b) which rendered appealable an otherwise nonappealable order.

Respondent states (Br. 1) that the Court of Appeals "required" the final order of the District Court to be worded in accordance with Rule 54 (b) "as a procedural matter" because "dependent conditional issues were pleaded in a copending separate Civil Action." These assertions are wholly wrong. The Court of Appeals made no such requirement as a procedural matter. It

Petitioners' Reply Brief.

held it was without jurisdiction without the "magic sentence" of Rule 54 (b). Moreover, there is no "co-pending separate Civil Action," as respondent asserts. It is a counterclaim in this action. On this point, the Court of Appeals, at an earlier date, held (190 F. 2d 217, 218) :

"The pleading is in reality a 'counterclaim.'"
The Court further stated (190 F. 2d 217, 221) :

"So clearly is the subject matter of United's counterclaim ancillary to the proceeding at No. 2991 that had the counterclaim matured when the original answer was filed, the counterclaim would have been 'compulsory' within the purview of Rule 13 (a) and had United failed to plead it, it could not subsequently have been maintained. United's counterclaim grew out of the same 'transaction' or 'occurrence' which created Cold Metal's claim, viz., the 1927 agreement."

Why respondent (Br. 1, 2, 14) finds it necessary to misstate the situation as to its "counterclaim" merely because it was erroneously labelled by respondent at the outset and given a separate number by the Clerk when originally filed is not understandable in view of the positive holding by the Court of Appeals on the point and in view of the fact that respondent later, pursuant to the Court of Appeals' holding, labelled its pleading a counterclaim in this case.

Respondent argues (Br. 16-18) that "an appeal would have been proper under the statute before 54 (b), or 54 (b) as amended, were adopted" and, in this con-

Petitioners' Reply Brief.

nection, refers to the Forgay-Conrad rule.* This argument was made by respondent on the first appeal and was properly rejected by the Court. The argument is unsound, as is demonstrated by the authorities cited at page 8 of the petition.

Respondent asserts (Br. 14) that the issues now before the Court of Appeals have been treated by two judges of the District Court as "severable" from the issues raised by the counterclaim. The answer to this is twofold. First, the Court of Appeals (190 F. 2d 217) did not consider them severable. Second, the statement is wrong. Judge Miller never even considered the question; and Judge Willson expressly stated (App. to Motion to Dismiss and Brief, p. 40a):

"I don't know now what this other counterclaim is all about. I don't think we have ever heard it. I don't think it was ever considered."

Thus, this argument is wholly unsound.

Respondent (Br. 20) asserts that the parties agreed and the District Court ordered that the objections to the Master's report should be disposed of finally by appeal before the counterclaim is tried. Apart from the incorrectness of the assertion, the answer to it is twofold. First, the parties cannot, by agreement or otherwise, confer appellate jurisdiction where it does not exist. Second, the order shows on its face that the parties merely intended disposition of the objections by the District Court before trial of the counterclaim and expressly retained the right to bring the counterclaim on for trial at any time.

* *Forgay et al. v. Conrad*, (1847) 6 How. 201.

Petitioners' Reply Brief.

Respondent (Br. 20) refers to this Court's decision in *Dickinson v. Petroleum Conversion Corp.*, (1950) 338 U. S. 507. That decision obviously is not pertinent and need not be discussed.

We submit that the petition should be granted.

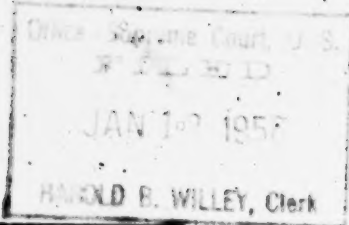
Respectfully submitted,

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Of Counsel

June 16, 1955

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1955

NO. 76

**THE COLD METAL PROCESS COMPANY and THE
UNION NATIONAL BANK OF YOUNGSTOWN,
OHIO, TRUSTEE, Petitioners,**

v.

**UNITED ENGINEERING & FOUNDRY COMPANY,
Respondent.**

**On Writ of Certiorari to the United States Court of
Appeals for the Third Circuit**

BRIEF FOR PETITIONERS

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v.

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**On Writ of Certiorari to the United States Court of
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BRIEF FOR PETITIONERS

OPINIONS BELOW.

The opinion of the District Court (R. 46-56) is reported at 132 F. Supp. 597.* The opinion of the Court of Appeals (R. 76) is reported at 221 F. 2d 115.

The earlier opinion of the Court of Appeals after final hearing and before the reference to a Master for an accounting (R. 178-188) is reported at 107 F. 2d 27. The opinion of the Court of Appeals regarding the nature of

* "R." is used herein to designate the printed transcript of the record.

Questions Presented.

respondent's counterclaim (R. 200-210) is reported at 190 F. 2d 217.

Other opinions having a bearing on the historical background will be cited and discussed in the Statement.

JURISDICTION.

The order of the Court of Appeals was entered on April 21, 1955 (R. 77). A petition for a writ of *certiorari* was filed on May 13, 1955 and was granted on October 10, 1955 (R. 225). The jurisdiction of this Court rests on 28 U.S.C., Section 1254 (1).

QUESTIONS PRESENTED.

The following questions are presented:

1. In an action involving a claim and a counterclaim arising out of the same transaction, does the entry of an order by the District Court, which grants a money judgment on one claim but leaves completely adjudicated the counterclaim and which contains an express determination that there is no just reason for delay and directs the entry of judgment pursuant to Rule 54 (b) of the Federal Rules of Civil Procedure, automatically and conclusively create a final appealable order conferring jurisdiction in the Court of Appeals?

2. Does an order in an action involving a claim and a counterclaim arising out of the same transaction, which directs the entry of a money judgment on the claim but leaves completely adjudicated a counterclaim seeking damages and a setoff, create a final decision from which an appeal lies to the Court of Appeals?

Statutes and Rules Involved.

merely because, pursuant to Rule 54 (b) of the Federal Rules of Civil Procedure, it recites that "there is no just reason for delay" and directs the entry of judgment?

3. If Rule 54 (b) is construed so as to confer appellate jurisdiction whenever a District Court applies the formula of the rule, where the Court of Appeals would not have had jurisdiction prior to the promulgation of amended Rule 54 (b), does the rule go beyond the rule-making powers of the United States Supreme Court in that it expands, revises and modifies the requirements for jurisdiction of the Courts of Appeals fixed in Section 1291 of Title 28 of the United States Code?

STATUTES AND RULES INVOLVED.

United States Code, Title 28, Judiciary and Judicial Procedure:

Section 1291. Final decisions of district courts.

The courts of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the District Court for the Territory of Alaska, the United States District Court for the District of the Canal Zone, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court. June 25, 1948, c. 646, 62 Stat. 929.

Section 2071. Rule-making power generally.

The Supreme Court and all courts established by Act of Congress may from time to time prescribe rules for the conduct of their business. Such

Statutes and Rules Involved.

rules shall be consistent with Acts of Congress and rules of practice and procedure prescribed by the Supreme Court. June 25, 1948, c. 646, 62 Stat. 961, amended May 24, 1949, c. 139 § 102, 63 Stat. 104.

Section 2072. Rules of civil procedure for district courts.

The Supreme Court shall have the power to prescribe, by general rules, the forms of process, writs, pleadings, and motions, and the practice and procedure of the district courts of the United States and of the District Court for the Territory of Alaska in civil actions.

Such rules shall not abridge, enlarge or modify any substantive right and shall preserve the right of trial by jury as at common law and as declared by the Seventh Amendment to the Constitution.

Such rules shall not take effect until they have been reported to Congress by the Chief Justice at the beginning of a regular session and until after the close of such session.

All laws in conflict with such rules shall be of no further force or effect after such rules have taken effect. Nothing in this title anything therein to the contrary notwithstanding, shall in any way limit, supersede, or repeal any such rules heretofore prescribed by the Supreme Court. June 25, 1948, c. 646, 62 Stat. 961, amended May 24, 1949, c. 139, § 103, 63 Stat. 104; July 18, 1949, c. 343, § 2, 63 Stat. 446.

Statutes and Rules Involved.

Federal Rules of Civil Procedure:

Rule 54. Judgments; Costs (as originally promulgated, effective September 16, 1938).

(a) Definition; Form. "Judgment" as used in these rules includes a decree and any order from which an appeal lies. A judgment shall not contain a recital of pleadings, the report of a master, or the record of prior proceedings.

(b) Judgment at Various Stages. When more than one claim for relief is presented in an action, the court at any stage, upon a determination of the issues material to a particular claim and all counterclaims arising out of the transaction or occurrence which is the subject matter of the claim, may enter a judgment disposing of such claim. The judgment shall terminate the action with respect to the claim so disposed of and the action shall proceed as to the remaining claims. In case a separate judgment is so entered, the court by order may stay its enforcement until the entering of a subsequent judgment or judgments and may prescribe such conditions as are necessary to secure the benefit thereof to the party in whose favor the judgment is entered.

Rule 54. Judgments; Costs (as amended December 27, 1946, effective March 19, 1948).

(a) Definition; Form. "Judgment" as used in these rules includes a decree and any order from which an appeal lies. A judgment shall not contain a recital of pleadings, the report of a master, or the record of prior proceedings.

Statutes and Rules Involved.

(b) **Judgment Upon Multiple Claims.** When more than one claim for relief is presented in an action, whether as a claim, counterclaim, cross-claim, or third-party claim, the court may direct the entry of a final judgment upon one or more but less than all of the claims only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment. In the absence of such determination and direction, any order or other form of decision, however designated, which adjudicates less than all the claims shall not terminate the action as to any of the claims, and the order or other form of decision is subject to revision at any time before the entry of judgment adjudicating all the claims.

Rule 82. Jurisdiction and Venue Unaffected.

These rules shall not be construed to extend or limit the jurisdiction of the United States district courts or the venue of actions therein. As amended Dec. 29, 1948, eff. Oct. 20, 1949.

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Statement.

STATEMENT.

The Cold Metal Process Company (hereinafter referred to as "Cold Metal"), on November 17, 1934, filed its complaint (R. 77-96) seeking specific enforcement of an agreement, dated June 20, 1927, against respondent (Equity No. 2991). Under that agreement (R. 16-18), respondent was entitled to receive certain license rights under what later became U. S. Letters Patent No. 1,779,195, and Cold Metal was to receive royalty payments for those rights. In its original answer (R. 97-127), respondent sought dismissal of the complaint. After a hearing on a motion for preliminary injunction and an appeal from the denial thereof, Cold Metal filed a supplemental complaint (R. 127-134) seeking, alternatively, specific enforcement or rescission of the agreement. Respondent answered the supplemental complaint (R. 135-152), asserting numerous defenses. After final hearing, the District Court (R. 152-177) denied rescission and granted specific performance, holding Cold Metal entitled to recover against respondent and ordering an accounting to determine the amount to be paid by respondent. The District Court's decree was affirmed on appeal (R. 178-188) in an opinion reported at 107 F. 2d 27.

On June 20, 1941, respondent moved for leave to file a second supplemental answer and counterclaim, seeking substantially the same relief it now seeks in its pending counterclaim (R. 23-27). That motion was denied (R. 188-192) in an opinion reported at 43 F. Supp. 375.

Thereafter, an accounting was had before a Master.

Statement.

While the action was pending before the Master, respondent filed an ancillary cross-complaint (Civil Action No. 7744), which was initially dismissed by the District Court (R. 193-200), but which was reinstated by the Court of Appeals (R. 200-210), in an opinion reported at 190 F. 2d 217, as a *counterclaim in this action*. Respondent amended its pleading, filing its amended counterclaim on October 29, 1951 (R. 28-44), pursuant to leave granted by the District Court (R. 44-45). Petitioners replied to that counterclaim (R. 210-224). That counterclaim, as the Court of Appeals held (R. 207), "grew out of the same 'transaction' or 'occurrence' " as Cold Metal's claim and would have been a compulsory one had it matured when respondent's original answer was filed (R. 206-207).

In its pending unadjudicated counterclaim, respondent pleaded *in extenso* evidential matter similar to the matters on which it relied before the Master in support of its defense of failure of consideration. However, in its counterclaim, these same facts are relied upon as a basis for a setoff against the amount awarded to petitioners by the Master and the District Court on the claim asserted in the complaint. Respondent has repeatedly asserted in the Court of Appeals and in its brief opposing the petition for *certiorari* that the issues raised in the counterclaim are "dependent issues" and that the counterclaim is a "defensive counterclaim for setoff or recoupment." All of respondent's claims asserted in the counterclaim arise out of the same transaction as petitioners' claim. In this regard, the Court of Appeals held (R. 206-207; 190 F. 2d 217, 221):

"So clearly is the subject matter of United's counterclaim ancillary to the proceeding at No. 2991

Statement.

that had the counterclaim matured when the original answer was filed, the counterclaim would have been 'compulsory' within the purview of Rule 13(a) and had United failed to plead it, it could not subsequently have been maintained. United's counterclaim grew out of the same 'transaction' or 'occurrence' which created Cold Metal's claim, viz., the 1927 agreement."

On May 28, 1954, the report of the Master on petitioners' claim was filed, in which he awarded petitioners the sum of \$387,650.00.

In the summer of 1954, while the parties were working on objections to the Master's report, respondent's counterclaim was about to come on for trial before Judge Miller. Both parties requested that trial of the counterclaim be held up until the District Court (Judge Willson) disposed of the objections to the Master's report. On July 6, 1954, the District Court entered an order (R. 45-46) removing the counterclaim from the trial calendar, subject to reinstatement for trial at any time by order of the Court upon its own initiative or upon request of either party.

Objections to the Master's report were filed in July, 1954, and, on January 19, 1955, the District Court filed its opinion (R. 46-56) and entered an order (R. 56-57) confirming the Master's report and directing the entry of judgment for petitioners.

On February 7, 1955, respondent appealed and petitioners moved to dismiss that appeal on the ground that it was not a final appealable decision in view of the counterclaim seeking a setoff and in view of the fact

Statement.

that it did not contain the express requirements of Rule 54(b). On March 21, 1955 (R. 57-58), the Court of Appeals held the judgment was not a final decision and dismissed respondent's appeal without prejudice to the right of respondent to apply to the District Court for a new order.

Thereafter, the order of January 19, 1955 was vacated and an amended order entered on March 30, 1955 (R. 73-74). The amended order is substantially identical with the original order of January 19, 1955 except that it includes an express determination under Rule 54(b) that "there is no just reason for delay" and directs the entry of judgment. The proceedings in the District Court (R. 60-72) show that the District Court did not give any real consideration to the counterclaim and inserted what it termed the "magic sentence" of Rule 54(b) in the order, despite the fact that the pendency of the counterclaim seeking a setoff was called to its attention. The sole reason given by the District Court for including the required determinations in its order was that it wanted enlightenment from the Court of Appeals to assist it in determining the issues raised in the counterclaim (R. 69, 70, 71). And, even though the District Court did use the talismanic language of the rule, it did not intend to relinquish control over or the right to modify that judgment, for it expressly said (R. 68) that, if the Court of Appeals should affirm, "then the counterclaim can be asserted against that judgment."

Respondent, on March 31, 1955, appealed from the order and judgment of March 30, 1955. Petitioners then moved to dismiss that appeal on the ground that the amended order and judgment from which the appeal

Statement.

had been taken do not constitute a final decision under Title 28, United States Code, Section 1291, since there has been no adjudication of respondent's counterclaim seeking an accounting, damages, and a setoff on the basis of facts arising out of the same transaction as that on which the complaint was based (R. 74-75). On April 21, 1955 (R. 76-77), the Court of Appeals entered an order denying the motion and filed an opinion holding that the determination made pursuant to Rule 54(b) "is the very kind of thing Rule 54(b) was written to provide for," thus holding, in accord with its earlier decision in *Bendix Aviation Corp. v. Glass*, (3 Cir., 1952) 195 F. 2d 267, that the District Court's certification as to finality under Rule 54(b) conclusively conferred jurisdiction upon the Court of Appeals, irrespective of the presence of the unadjudicated counterclaim arising out of the same transaction.

*Summary of Argument.***SUMMARY OF ARGUMENT**

Under Article I, Section 8, of the Constitution, Congress was given the power "to constitute" tribunals inferior to the Supreme Court. Under this grant, only Congress can confer jurisdiction upon the inferior Federal Courts and only Congress can regulate the scope and terms of that jurisdiction.

Both this Court and the inferior Federal Courts have the inherent power to adopt rules. But that power is of a limited nature and does not extend to enlargement or restriction of jurisdiction.

The rule-making power of this Court in regard to the Federal Rules of Civil Procedure stems from the Enabling Act of June 19, 1934 (c. 651, 48 Stat. 1064; 28 U.S.C., Section 2072). That power was limited to promulgating rules covering "the forms of process, writs, pleadings, and motions, and the practice and procedure in civil actions at law." The Act expressly provided that the rules "shall neither abridge, enlarge nor modify the substantive rights of any litigant." Congress, in the Enabling Act, did not grant this Court any power to extend or restrict jurisdiction; and this Court has repeatedly held that it does not have the right or power, by rules, to enlarge, restrict or modify the jurisdiction of the inferior Federal Courts and, more specifically, appellate jurisdiction: *Sibbach v. Wilson & Co. Inc.*, (1941) 312 U.S. 1, 10; *United States v. Sherwood*, (1941) 312 U.S. 584, 589; *Baltimore Contractors, Inc. v. Bodinger*, (1955) 348 U.S. 176, 181.

The requirements for appellate jurisdiction in the Courts of Appeals have been established by Congress

Summary of Argument.

(Title 28, United States Code, Sections 1291 and 1292). The jurisdiction of the Court of Appeals in this case must rest upon Section 1291, which limits jurisdiction to "final decisions." This requirement for appellate jurisdiction has been a part of our law since the first Judiciary Act of 1789 and was reenacted into the Code in 1948.

The decisions interpreting and applying the Congressional mandate limiting appellate jurisdiction to final decisions thoroughly establish that, in a case involving a claim and a counterclaim arising out of the same transaction or occurrence, no final decision can be rendered until both are adjudicated and that a decision on either the claim or the counterclaim alone is not a final decision and, hence, not appealable.

The context and history of the Rules of Civil Procedure and the declared and recognized limitations on the rule-making power of this Court demonstrate that Rule 54 (b) does not and was not intended to regulate or determine appellate jurisdiction or to grant to the District Courts the power conclusively to fix appellate jurisdiction or to modify the statutory requirements for appellate jurisdiction. This Court has expressly held, in *Baltimore Contractors, Inc. v. Bodinger*, (1955) 348 U.S. 176, 181, 182, that it "is not authorized to approve or declare judicial modification" of appellate jurisdiction and that only Congress has the power to enlarge the list of appealable interlocutory orders or to allow fragmentary appeals "in the discretion of the trial judge upon findings of need." Thus, this Court, in effect, already has declared against the broad or "affirmative" construction of amended Rule 54(b). Long prior to the Rules, this Court has repeatedly held that Congress alone has the power to determine "whether the judgment of a court of

Summary of Argument.

the United States, of competent jurisdiction, shall be reviewed or not": *Ex Parte Pennsylvania*, (1883) 109 U.S. 174; *Hudson v. Parker*, (1895) 156 U.S. 277.

Amended Rule 54 (b), if given the "affirmative" or broad construction, enlarges the appellate jurisdiction of the Courts of Appeals and this Court and reallocates judicial power between District Courts and the Courts of Appeals. It enables the trial Court, in its discretion from case to case, to determine appealability. It involves authority to ignore this Court's prior construction of the statutes relating to appeals.

When construed properly, amended Rule 54 (b) merely provides that a decision cannot be a final decision if the District Court refuses to relinquish its control over the decision or its right to modify it. As this Court stated, in *Dickinson v. Petroleum Conversion Corp.*, (1950) 338 U.S. 507, 512, it provides "an opportunity for litigants to obtain from the District Court a clear statement of what that court is intending with reference to finality." If the District Court does not employ the talismanic language of the amended rule, then this means that the District Court wishes to withhold its ultimate decision but, if it employs the language of the rule in its order, it merely means that *that* Court intends to relinquish control. Even if the order contains the determinations specified in the rule, appealability still depends upon whether the decision is final under Section 1291; and the Court of Appeals must proceed to examine the decision to determine whether or not it has statutory finality.

If given any other construction, and, more specifically, if construed to enlarge appellate jurisdiction or to

Summary of Argument.

render final the District Court's order in this case containing the determinations of the rule, the rule exceeds the rule-making power of this Court and is invalid. It violates Section 1291 and also the Enabling Act authorizing the rules. It extends the jurisdiction of the District Courts by vesting in them power conclusively to grant and determine appellate jurisdiction—a power possessed only by Congress. It extends or enlarges appellate jurisdiction by granting appellate jurisdiction to the Courts of Appeals in cases in which no final decision has been rendered. It abridges and modifies the substantive rights of litigants contrary to the express command of the Enabling Act.

If construed to fix and enlarge appellate jurisdiction, amended Rule 54 (b) would create numerous difficulties in judicial administration. While it provides a purely mechanical method of determining appealability, there would be a complete lack of uniformity in regard to appellate jurisdiction. It would give District Courts discretionary power to divest litigants of substantive rights. This interpretation provides no method for dealing with any abuse of discretion or any errors on the part of the District Court in regard to appealability. It would create more problems in judicial administration than it would solve; whereas, a proper construction of amended Rule 54 (b) will serve to surmount the primary difficulties arising out of original Rule 54 (b).

When properly construed in the so-called "negative" fashion, amended Rule 54 (b) does not vest appellate jurisdiction in the Court of Appeals in the case at bar and, hence, respondent's appeal should have been dismissed.

Argument.

ARGUMENT.

A. Introductory Statement.

The Court of Appeals held final and appealable a judgment disposing of a claim asserted in the complaint but leaving completely undetermined respondent's counterclaim arising out of the same transaction, merely because that judgment contains the talismanic language set forth in amended Rule 54 (b). Respondent's counterclaim not only arose out of the same transaction, as the Court of Appeals held (R. 206-207), but it avowedly seeks modification or extinguishment of the very judgment from which respondent has appealed.

The judgment in question would not have been appealable either prior to the enactment of the Federal Rules of Civil Procedure or under original Rule 54 (b).^{*} Thus, the issue is squarely raised as to whether the inclusion in the order of the determinations specified in amended Rule 54 (b) can fix and enlarge appellate jurisdiction so as to give the Court of Appeals jurisdiction which it would not have had prior to the enactment of amended Rule 54 (b)

^{*} *Bowker v. United States*, (1902) 186 U.S. 135; *Winters v. Ethell*, (1889) 132 U.S. 207, 210; *General Electric Co. et al. v. Marvel Rare Metals Co. et al.*, (1932) 287 U.S. 430, 432; *Nachtman v. Crucible Steel Co. of America*, (3 Cir., 1948) 165 F. 2d 997; *Audi Vision Inc. et al. v. RCA Mfg. Co., Inc.*, (2 Cir., 1943) 136 F. 2d 621; *Eastern Transportation Co. v. United States*, (2 Cir., 1947) 159 F. 2d 349; *Petrol Corporation v. Petroleum Heat & Power Co., Inc. et al.*, (2 Cir., 1947) 162 F. 2d 327; *Toomey et al. v. Toomey et al.*, (C.A. D.C., 1945) 149 F. 2d 19; *Libbey-Owens-Ford Glass Co. v. Sylvania Industrial Corporation et al.*, (2 Cir., 1946) 154 F. 2d 814; Cert. Den. 328 U.S. 859.

The scope, meaning and effect of amended Rule 54 (b) have been discussed at length by the Courts of Appeals in the following cases, among others:

Flegenheimer v. General Mills, Inc., (2 Cir., 1951) 191 F. 2d 237;

Pabellon v. Grace Line, Inc., (2 Cir., 1951) 191 F. 2d 169;

Lopinsky v. Hertz Drive-Ur-Self Systems, Inc. et al., (2 Cir., 1951) 194 F. 2d 422;

Rieser, et al. v. The Baltimore and Ohio Railroad Company, (2 Cir., 1955) 224 F. 2d 198;

Leonidakis v. International Telecoin Corp., (2 Cir., 1953) 208 F. 2d 934;

United States Plywood Corp. v. Hudson Lumber Co. et al., (2 Cir., 1954) 210 F. 2d 462;

United Artists Corporation v. Masterpiece Productions, Inc., (2 Cir., 1955) 221 F. 2d 213;

Channapragada S. RAO v. The Port of New York Authority, (2 Cir., 1955) 222 F. 2d 362;

Bendix Aviation Corp. v. Glass, (3 Cir., 1952) 195 F. 2d 267;

Boston Medical Supply Co. v. Lea & Febiger, (1 Cir., 1952) 195 F. 2d 853;

Bruce A. Mackey et al. v. Sears, Roebuck & Co., (7 Cir., 1955) 218 F. 2d 295;

Gold Seal Co. v. Weeks, (C.A. D.C., 1954) 209 F. 2d 802.

Petitioners rely strongly upon the careful reasoning of Judge Learned Hand, in *Flegenheimer v. General Mills, Inc.*, (2 Cir., 1951) 191 F. 2d 237, Judge Frank, in

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concurring opinions in *Pabellon v. Grace Line, Inc.*, (2 Cir., 1951) 191 F. 2d 169, 176-181, and *Rieser, et al. v. The Baltimore and Ohio Railroad Company*, (2 Cir., 1955) 224 F. 2d 198, and Judge Hastie, in a concurring opinion in *Bendix Aviation Corp. v. Glass*, (3 Cir., 1952) 195 F. 2d 267, 277-282. Those opinions express the so-called "negative" view of amended Rule 54 (b) and reject the so-called "affirmative" view expressed in other opinions and which Judge Learned Hand has described as bringing about a revolutionary inversion in determining appellate jurisdiction. The views so clearly expressed by Judge Hastie in the *Bendix* case, *supra*, leave unimpaired the usefulness of amended Rule 54 (b) and prevent the rule from operating to fix and enlarge appellate jurisdiction, thus preserving the intended benefits of the rule without rendering it invalid and without requiring the Courts of Appeals and this Court to surrender the power to determine their own appellate jurisdiction.

B. The Requirements for Appellate Jurisdiction Have Been Established by Congressional Enactments.

The appellate jurisdiction of the Courts of Appeals is fixed by Congressional enactments. Section 1291 of Title 28 of the United States Code grants to the Courts of Appeals "jurisdiction of appeals from all final decisions of the district courts of the United States." This requirement of finality in the present Code is a reiteration of a consistent requirement which has been a part of the law since the first Judiciary Act of 1789 (1 Stat. 73). Section 1292 of the Code covers certain exceptions to this requirement, but those exceptions are not applicable here. The primary reasons for this Congressional requirement

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are aptly stated by Mr. Justice Frankfurter in *Cobbledick et al. v. United States*, (1940) 309 U.S. 323, as follows (pp. 324-326) :

"Finality as a condition of review is an historic characteristic of federal appellate procedure. It was written into the first Judiciary Act and has been departed from only when observance of it would practically defeat the right to any review at all. Since the right to a judgment from more than one court is a matter of grace and not a necessary ingredient of justice, Congress from the very beginning has, by forbidding piecemeal disposition on appeal of what for practical purposes is a single controversy, set itself against enfeebling judicial administration. Thereby is avoided the obstruction to just claims that would come from permitting the harassment and cost of a succession of separate appeals from the various rulings to which a litigation may give rise, from its initiation to entry of judgment. To be effective, judicial administration must not be leaden-footed. Its momentum would be arrested by permitting separate reviews of the component elements in a unified cause.* * *

"In thus denying to the appellate courts the power to review rulings at *nisi prius*, generally, until after the entire controversy has been concluded, Congress has sought to achieve the effective conduct of litigation. For purposes of appellate procedure, finality—the idea underlying 'final judgments and decrees' in the Judiciary Act of 1789 and now expressed by 'final decisions' in § 128 of the Judicial Code—is not a technical concept of temporal or

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physical termination. It is the means for achieving a healthy legal system."

And, in the later case of *Catlin et al., Trustees, v. United States*, (1945) 324 U.S. 229, this Court stated (pp. 233-234):

"Their right to appeal rests upon § 128 of the Judicial Code. This limits review to 'final decisions' in the District Court. A 'final decision' generally is one which ends the litigation on the merits and leaves nothing for the court to do but execute the judgment. *St. Louis, I.M. & S.R.Co. v. Southern Express Co.*, 108 U.S. 24, 28. * * * The foundation of this policy is not in merely technical conceptions of 'finality.' It is one against piecemeal litigation. 'The case is not to be sent up in fragments' * * * *Luxton v. North River Bridge Co.*, 147 U.S. 337, 341. Reasons other than conservation of judicial energy sustain the limitation. One is elimination of delays caused by interlocutory appeals."

See also: *McLish v. Roff*, (1891) 141 U.S. 661, 665;

Cohen, et al. v. Beneficial Industrial Loan Corp. et al., (1949) 337 U.S. 541, 546;

Stefanelli et al. v. Minard et al., (1951) 342 U.S. 117, 123;

Roche, U.S. District Judge, et al. v. Evaporated Milk Association et al., (1943) 319 U.S. 21, 29-30;

Baltimore Contractors, Inc. v. Bodinger, (1955) 348 U.S. 176, 181.

C. This Court's Decisions Interpreting and Applying the Congressional Mandate Preclude Appellate Jurisdiction in the Present Posture of the Case at Bar.

The requirement of finality has been considered by this Court in many decisions. As stated in *Catlin et al., Trustees, v. United States*, (1945) 324 U.S. 229, a "final decision" generally is "one which ends the litigation on the merits and leaves nothing for the court to do but execute the judgment." This, of course, does not mean that the entire case must be covered by one final judgment, for this Court has repeatedly recognized that a decision which concludes the litigation as to a complete judicial unit is a final decision, and this is true irrespective of whether that judicial unit is the entire case or one phase of the case so separate and distinct from any other phase of the case that it constitutes, in effect, a case within a case: *Reeves v. Beardall, Executor*, (1942) 316 U.S. 283, 285.

In addition to disposing finally of a complete judicial unit, the subject-matter of the appeal must be put beyond the power and control of the trial Court:

Cohen, Executrix, et al. v. Beneficial Industrial Loan Corp. et al., (1949) 337 U.S. 541, 546;

Covington v. Covington, First National Bank, (1902) 185 U.S. 270, 277;

City of Paducah, Kentucky v. East Tennessee Telephone Company, (1913) 229 U.S. 476, 480.

When these two conditions are met, then a decision is final under the decisions of this Court and the appellate Court has jurisdiction.

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Long prior to the enactment of the Federal Rules, this Court recognized that a decision which adjudicated only one of two or more claims arising out of the same transaction or occurrence did not adjudicate a complete judicial unit and, hence, was not a final decision from which an appeal would lie. In *Bowker v. United States*, (1902) 186 U.S. 135, a libel was filed on behalf of the United States seeking damages resulting from a collision. A cross-libel was filed seeking damages against the United States alleged to have been sustained in the same collision. The cross-libel was dismissed. Whereupon, the cross-libellant appealed and the appeal was allowed on the question of jurisdiction. This Court, in holding the dismissal of the cross-libel not a final judgment, stated (p. 138):

"It was settled, soon after the passage of the act of 1891, that cases in which the jurisdiction of the District or Circuit Courts was in issue could be brought to this court only after final judgment. *McLish v. Roff*, 141 U.S. 661, *Railway Company v. Roberts*, 141 U.S. 690. The subject was carefully considered in the opinion of Mr. Justice Lamar in the first of these cases, and the conclusion reached was in accordance with the general rule that a case cannot be brought to this court in parcels. *Railway Company v. Postal Telegraph Company*, 179 U.S. 641.

"The preliminary question is, therefore, whether the decree dismissing this cross-libel is a final judgment within the rule upon that subject. It was long ago held that a decree dismissing a cross-bill in equity could not be considered, standing alone, as a final decree in the suit, and was not the subject of an independent appeal to this court under the

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judiciary act of 1789; and that it could only be reviewed on an appeal from a final decree disposing of the whole case. *Ayres v. Carver*, 17 How. 591; *Ex parte Railroad Company*, 95 U.S. 221."

In the earlier case of *Winters v. Ethell*, (1889) 132 U.S. 207, the complaint alleged a cause of action based upon a license covering the working of certain mining property. Defendants filed a cross-complaint praying for certain relief in respect of the same agreement and the working of the mining claim. The cross-complaint was dismissed and plaintiffs were awarded certain relief, including an accounting. Defendants appealed. This Court held the decree was not a final one and was not appealable, stating (p. 210):

"Nor does it make any difference that the decree in the present case dismisses the cross-complaint of the defendants. The filing of the cross-complaint was not the institution of a separate suit, but grew out of the original complaint. There was but a single decree, and that was entitled in the original suit. The right of the defendants to appeal from the decree, so far as their cross-complaint is concerned, will be preserved; and time will run against them, as to all parts of the present judgment of the District Court, only from the time of the entry of a final decree after a hearing under the accounting which is to be had. *Ayers v. Chicago*, 101 U.S. 184, 187."

Original Rule 54(b) did not alter the requirements for appellate jurisdiction. It was designed to take care of the liberality provided in the other rules in respect of the pleading in one action of a variety of claims, counterclaims and cross-claims. The purpose underlying that rule was to adapt the established single

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judicial unit theory of finality to a civil action containing two or more separate and distinct claims: *Moore's Federal Practice*, Second Edition, Vol. 6, p. 169. In construing original Rule 54(b), this Court, in *Reeves v. Beardall, Executor*, (1942) 316 U.S. 283, 285, recognized that the rules made it clear that "it is 'differing occurrences or transactions, which form the basis of separate units of judicial action'" and that, in multiple claims cases, it was necessary, in order to have a final judgment on one or more of the claims, that they arise out of differing occurrences or transactions.

The Courts of Appeals, on numerous occasions, applied the separate judicial unit rule, holding that no final and appealable decision could be rendered in the absence of a determination of the issues material to a particular claim and all counterclaims arising out of the same transaction or occurrence. Examples of such cases are:

- Nachtman v. Crucible Steel Co. of America*,
(3 Cir., 1948) 165 F. 2d 997;
- Audi Vision Inc. et al. v. RCA Mfg. Co., Inc.*,
(2 Cir., 1943) 136 F. 2d 621;
- Eastern Transportation Co. v. United States*,
(2 Cir., 1947) 159 F. 2d 349;
- Petrol Corporation v. Petroleum Heat & Power
Co., Inc. et al.*, (2 Cir., 1947) 162 F. 2d 327;
- Toomey et al. v. Toomey et al.*, (C.A. D.C.,
1945) 149 F. 2d 19;
- Libbey-Owens-Ford Glass Co. v. Sylvania In-
dustrial Corporation et al.*, (2 Cir., 1946)
154 F. 2d 814.

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Thus, both prior to the enactment of the rules and under original Rule 54 (b), this Court and others applied the judicial unit rule, holding that the requirements for appellate jurisdiction were not present until a decision or judgment had been rendered disposing of all related claims, i.e., all claims arising out of the same transaction or occurrence.

Under no view of finality enunciated prior to the enactment of amended Rule 54 (b) could the decision in question be considered as a final decision.

**D. The Context and History of Rule 54 (b)
Show That the Rule Does Not and Was Not
Intended to Give the District Courts Power
Conclusively to Fix Appellate Jurisdiction.**

There is nothing in the language employed in Rule 54 (b) purporting to grant to the District Courts discretionary power to fix conclusively the appellate jurisdiction of either this Court or the Courts of Appeals. Nor is there any language in the rule even indicating an intent to depart from the long-standing right and duty of each appellate Court to inquire, even on its own motion, into the question of jurisdiction. The rule simply specifies that, when more than one "claim for relief" is presented, the Court "may direct" the entry of a final judgment on less than all of the claims "only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment." The rule then proceeds to state that, in the absence of such determination and direction, any order adjudicating less than all of the claims shall not terminate the action as to any of the claims and shall be

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subject to revision at any time before the entry of judgment adjudicating all of the claims.

As Judge Learned Hand pointed out, in *Flegenheimer v. General Mills, Inc.*, (2 Cir., 1951) 191 F. 2d 237, 241, this "is language of restriction, not of grant." The rule does not say that a final appealable judgment can be entered if the two requirements are met, but merely states that the Court "may direct" the entry of a final judgment "only" upon compliance with those requirements of the rule which clearly evidence an intent on the part of the Court to relinquish the adjudicated claim. As Judge Learned Hand pointed out in the *Flegenheimer* case, *supra*, nowhere in the rule "can be found a suggestion that the judge can make that 'final' which was not 'final' before." In other words, the rule merely provides that the judge shall evidence his intentions by writing into the judgment the requirements of the rule.

Although this Court did not have occasion to apply amended Rule 54 (b) in *Dickinson v. Petroleum Conversion Corp.*, (1950) 338 U.S. 507, 512, this Court did refer to the amended rule, pointing out that the purpose thereof was to reduce the uncertainty and hazards assumed by a litigant who either does or does not appeal from a judgment and to provide "an opportunity for litigants to obtain from the District Court a clear statement of what that court is intending with reference to finality." Thus, this Court, in pointing out the purpose of the amended rule, did not indicate that a judgment containing the imprimatur of the rule would be final, but only that the certification would serve to indicate the intent of the District Court.

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The views just stated are emphasized and supported by the last sentence of the rule which gives a completely negative significance to the words "final judgment" appearing in the first sentence of the amended rule. The amended rule seeks simply to make certain the time when the District Court relinquishes its partial decision. Until the Court does release its decision without reservation, a party may safely refrain from filing an appeal. And, when construed in this way, the rule accomplishes one of its major purposes, namely, to provide a measure of certainty concerning appealability.

The historical background of the rule likewise demonstrates that there was no intent on the part of this Court or the draftsmen of the rules (a) to place in the hands of the District Courts power conclusively to fix appellate jurisdiction, or (b) to strip this Court and the Courts of Appeals of their power to determine whether the jurisdictional requirements are present, or (c) to abandon the "ancient policy" and "historical rule" against piecemeal disposition of cases, or (d) to abandon the judicial unit theory as applied to multiple claims arising out of the same transaction or occurrence.

In one of the early drafts of the original rules, namely, that of May, 1936, proposed Rule 63 provided that a judgment or final order could be entered upon "any issue or issues" determined in favor of one party and the action could proceed as to the remaining issues or parties, and that such a judgment or order would be final "for all purposes including the right to appeal therefrom": *Preliminary Draft of Rules of Civil Procedure* (May, 1936), page 100. That draft rule pro-

voked serious misgivings as to validity since it "materially enlarged" appellate jurisdiction: 6 *Moore's Federal Practice* (Second Edition, 1953), Par. 54.21, p. 166; *Pabellon v. Grace Line, Inc.*, (2 Cir., 1951) 191 F.2d.169, 177. The proposed rule was abandoned and replaced by original Rule 54 (b): *Report of Advisory Committee on Rules of Civil Procedure* (April, 1937), page 135. Original Rule 54 (b) adopted a separate and distinct claim and all counterclaims arising out of the same transaction or occurrence as a judicial unit and properly provided that, if the Court adjudicated such a unit, a final judgment could be entered, although other claims remained pending. This single judicial unit theory was approved by this Court in *Reeves v. Beardall, Executor*, (1942) 316 U.S. 283.

Some confusion arose under original Rule 54 (b) and, in order to eliminate this confusion, Rule 54 (b) was amended. In May, 1944, the Advisory Committee proposed a revision of Rule 54 (b) which retained the same judicial unit theory existing under original Rule 54 (b), namely, all claims arising out of the same transaction or occurrence. The Committee's notes accompanying this proposed amendment expressly pointed out that the amended rule was designed "to make clear that interim adjudications disposing of some, but not all, of the claims, counterclaims, cross-claims and third-party claims arising out of a single transaction or occurrence are provisional." In May, 1945, the Committee made public its second draft of the proposed amendment to Rule 54 (b). This draft included a provision that a final judgment could be entered on less than all claims arising out of a single transaction if the Court ordered that there was no just reason for

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delay. This proposal, however, was abandoned and amended Rule 54 (b), in its present form, adopted. And, in adopting amended Rule 54 (b) in its present form, the Advisory Committee stated (Title 28, U.S.C., following Rule 54) :

"The historic rule in the federal courts has always prohibited piecemeal disposal of litigation and permitted appeals only from final judgments except in those special instances covered by statute.

* * * Rule 54 (b) was originally adopted in view of the wide scope and possible content of the newly created 'civil action' in order to avoid the possible injustice of a delay in judgment of a distinctly separate claim to await adjudication of the entire case. It was not designed to overturn the settled federal rule stated above, which, indeed, has more recently been reiterated in *Catlin v. United States*, 1945, 65 S.Ct. 631, 324 U.S. 229, 89 L. Ed. 911. * * *

"Unfortunately, this was not always understood, and some confusion ensued. * * *

"In view of the difficulty thus disclosed, the Advisory Committee in its two preliminary drafts of proposed amendments attempted to redefine the original rule with particular stress upon the interlocutory nature of partial judgments which did not adjudicate all claims arising out of a single transaction or occurrence. This attempt appeared to meet with almost universal approval from those of the profession commenting upon it, although there were, of course, helpful suggestions for additional changes in language or clarification of detail. But cf. Circuit Judge Frank's dissenting opinion in

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Libbey-Owens-Ford Glass Co. v. Sylvania Industrial Corp., *supra*, n. 21 of the dissenting opinion. The Committee, however, became convinced on careful study of its own proposals that the seeds of ambiguity still remained, and that it had not completely solved the problem of piecemeal appeals. After extended consideration, it concluded that a retention of the older federal rule was desirable, and that this rule needed only the exercise of a discretionary power to afford a remedy in the infrequent harsh case to provide a simple, definite, workable rule. This is afforded by amended rule 54 (b). It re-establishes an ancient policy with clarity and precision."

Thus, despite some later statements to the contrary, it is clear that the draftsmen of the rules did not intend any such radical departure from established law as that adopted by the Court below in the case at bar and in its earlier decision of *Bendix Aviation Corp. v. Glass*, (1952) 195 F. 2d 267. On the contrary, the avowed objective was to follow the "historical rule" against piecemeal disposal of litigation and to reestablish the "ancient policy with clarity and precision." The avowed policy was to follow the rule which permits appeals only from final judgments, except in those special instances covered by statute. And there is nothing in this Court's comment on amended Rule 54 (b) in *Dickinson v. Petroleum Conversion Corp.*, (1950) 338 U.S. 507, which would indicate that this Court felt there had been wrought "so revolutionary an inversion" as that involved in the affirmative view. On the contrary, this Court, in the *Dickinson* case, *supra*, indicated that, in its view, the amended rule merely provided for a clear statement "of what that

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court." i.e., the District Court, "is-intending with reference to finality."

Thus, both the language of the rule and the historical background thereof indicate clearly the soundness of the so-called "negative" view, as expressed by Judge Hastie in the *Bendix* case, *supra*, and by Judge Learned Hand in the *Flegenheimer* case, *supra*.

We shall not attempt to discuss herein the reasoning of the Courts enunciating the broad or affirmative view. We shall limit our comments in this regard to the *Bendix* case. That decision proceeds on the assumption that finality is solely dependent upon whether the District Court has retained the power and ability to alter its decision. But this is not correct. Finality does not depend upon any mere mechanical action of the District Court or on the power or ability to alter its decision. On the contrary, it depends upon the quantum of litigation covered by the determinations made by the District Court. Nor does finality depend upon procedural rules. Finality is clearly a substantive matter. So far as we are aware, there is no case decided by this Court which bases finality on such nebulous and shifting grounds as those employed by the Court of Appeals in the *Bendix* case. On the contrary, this Court has clearly indicated that finality does not depend solely upon the question whether the judgment is subject to further revision by the District Court: *Cobbledick et al. v. United States*, (1940) 309 U.S. 323; *Collins v. Miller*, (1920) 252 U.S. 364; *Berman v. United States*, (1937) 302 U.S. 211.

Furthermore, the reasoning and conclusions of the Court in the *Bendix* case necessarily invest the District Courts with authority to change the meaning of U.S.C.,

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Section 1291 at will and, in the process, to ignore this Court's prior construction of that statute. This is completely contrary to any proper exercise of judicial power. This Court, in *Baltimore Contractors, Inc. v. Bodinger*, (1955) 348 U.S. 176, 181, expressly stated that this Court "is not authorized to approve or declare judicial modification" of appellate jurisdiction, so, *a fortiori*, the District Courts cannot do so.

The argument of convenience advanced by some of the proponents of the affirmative view is of no consequence. That argument seems to be that, by permitting the District Court to enter a final judgment on one phase of the case, an extended trial and the cost and inconvenience thereof may be avoided in many cases. This Court, however, in *Roche, U.S. District Judge, et al. v. Evaporated Milk Association et al.*, (1943) 319 U.S. 21, 30, expressly pointed out that "that inconvenience is one which we must take it Congress contemplated in providing that only final judgments should be reviewable." And, in the *Baltimore Contractors* case, *supra*, this Court pointed out (p. 185) that Congress has not seen fit to "authorize appeals to simplify litigation."

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E. Rule 54 (b) Does Not and Was Not Intended to Enlarge Appellate Jurisdiction.

The so-called "affirmative" view of amended Rule 54 (b), as enounced by the Court below, in *Bendix Aviation Corp. v. Glass*, (1952) 195 F. 2d 267, and as applied in this action, enlarges appellate jurisdiction since it renders appealable a decision on a claim and which leaves unadjudicated a counterclaim arising out of the same transaction or occurrence. Such a decision is historically not a final decision under any of the adjudications antedating the amendment to Rule 54 (b).

It is proper to assume that this Court, in promulgating amended Rule 54 (b), did not intend to enlarge appellate jurisdiction or to place in the hands of the District Courts power conclusively to fix the appellate jurisdiction of this Court or of the Courts of Appeals. The absence of any intent to enlarge appellate jurisdiction seems plain from the Enabling Act and this Court's decisions.

The Rules of Civil Procedure were promulgated under the authority of the Act of June 19, 1934 (c. 651, 48 Stat. 1064 old 28 U.S.C., § 723 b, c.). That Act granted this Court power to prescribe, by general rules, "the forms of process, writs, pleadings, and motions, and the practice and procedure in civil actions at law." It expressly provided that the rules "shall neither abridge, enlarge nor modify the substantive rights of any litigant." In commenting upon that Act and the limitations thereof, this Court, in *Sibbach v. Wilson & Co., Inc.*, (1941) 312 U.S. 1, stated (p. 10):

"Hence we conclude that the Act of June 19, 1934, was purposely restricted in its operation to matters of pleading and court practice and pro-

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cedure. Its two provisos or caveats emphasize this restriction. The first is that the court shall not 'abridge, enlarge, nor modify substantive rights,' in the guise of regulating procedure. The second is that if the rules are to prescribe a single form of action for cases at law and suits in equity, the constitutional right to jury trial inherent in the former must be preserved. There are other limitations upon the authority to prescribe rules which might have been, but were not mentioned in the Act; for instance, *the inability of a court, by rule, to extend or restrict the jurisdiction conferred by a statute.*"*

Thus, this Court expressly recognized that the rules promulgated could not, "in the guise of regulating procedure," enlarge or modify substantive rights or "extend or restrict the jurisdiction conferred by a statute." See also:

Hudson v. Parker, (1895) 156 U.S. 277, 284;

Venner v. Great Northern Railway Company,
(1908) 209 U.S. 24, 35;

Davidson Bros. Marble Company v. United States on the Relation of Gibson, (1909)
213 U.S. 10, 18;

Meek v. Centre County Banking Co. et al.
(1925) 268 U.S. 426, 434.

Again, in *United States v. Sherwood*, (1941) 312 U.S. 584, this Court stated (pp. 589-590):

"An authority conferred upon a court to make rules of procedure for the exercise of its jurisdiction is

*Emphasis ours throughout this brief except where noted otherwise.

not an authority to enlarge that jurisdiction; and the Act of June 19, 1934, 48 Stat. 1064, 28 U.S.C. 723b, authorizing this Court to prescribe rules of procedure in civil actions gave it no authority to modify, abridge or enlarge the substantive rights of litigants *or to enlarge or diminish the jurisdiction of federal courts.*"

In *United States v. Florian, Executor*, (1941) 312 U.S. 656, this Court reversed the judgment of the Court below for want of jurisdiction because of the absence of a final judgment in the District Court. Thus, this Court, in effect, reinstated the Court of Appeals' earlier opinion in which it had held the judgment not final and that the Rules had not changed the requirements for a final decision.

Again, in *Baltimore Contractors, Inc. v. Bodinger*, (1955) 348 U.S. 176, this Court recognized that it was not authorized to approve or declare judicial modification of the requirements of appellate jurisdiction, stating (pp. 181-182) :

"The Congress is in a position to weigh the competing interests of the dockets of the trial and appellate courts, to consider the practicability of savings in time and expense, and to give proper weight to the effect on litigants. When countervailing considerations arise, interested parties and organizations become active in efforts to modify the appellate jurisdiction. *This Court, however, is not authorized to approve or declare judicial modification.*" It is the responsibility of all courts to see that no unauthorized extension or reduction of jurisdiction, direct or indirect, occurs in the fed-

eral system. *Shanferoke Corp. v. Westchester Corp.*, 293 U.S. 449, 451. Any such *ad hoc* decisions disorganize practice by encouraging attempts to secure or oppose appeals with a consequent waste of time and money. *The choices fall in the legislative domain.* They are enlargement of the allowable list of appealable interlocutory orders; abandonment of fragmentary appeals; or a general allowance of such appeals in the discretion of the trial judge upon findings of need, with or without the consent or approval of the appellate court."

And, in its opinion, this Court (p. 178) recognized and reiterated that the "requirement of finality has remained a part of our law" since the Judiciary Act of 1789.

The doctrine that the Court cannot, by rule, enlarge or restrict its own jurisdiction or that of other Courts of the United States and that Congress alone has this power was recognized in the law long prior to the enactment of the present rules. In *Hudson v. Parker*, (1895) 156 U.S. 277, this Court stated (p. 284):

"This court cannot, indeed, by rule, enlarge or restrict its own inherent jurisdiction and powers, or those of the other courts of the United States, or of a justice or judge of either, under the Constitution and laws of the United States. *Poultney v. La Fayette*, 12 Pet. 472; *The St. Lawrence*, 1 Black, 522, 526; *The Lottawanna*, 21 Wall. 558, 576, 579. Nor has it assumed to do so."

In *Ex Parte Pennsylvania*, (1883) 109 U.S. 174, the Court recognized that Congress alone had the power to determine appellate jurisdiction, stating (p. 176):

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"Congress alone has the power to determine whether the judgment of a court of the United States, of competent jurisdiction, shall be reviewed or not."

The doctrines of the above cases stem from the fundamental character of the judicial system originating in the Constitution. The judicial power is dependent for its distribution and organization and for the modes of its exercise entirely upon the action of Congress which has the sole power of creating tribunals inferior to this Court and of investing them with jurisdiction. And, as stated by Mr. Justice Daniel, in *Cary et al. v. Curtis*, (1844) 3 How. 236, 245:

"It follows then, that the courts created by statute must look to the statute as the warrant for their authority; certainly they cannot go beyond the statute, and assert an authority with which they may not be invested by it, or which may be clearly denied to them."

Certainly, it was not the intention of the draftsmen of the rules or of this Court in promulgating them, to depart from these established principles or to circumvent, by indirection, the clear requirement of Section 1291 by an enlargement of appellate jurisdiction. The contention of the proponents of the so-called "affirmative" view necessarily presupposes an intention to enlarge appellate jurisdiction by the rule, and this contention is all the more astounding since it places in the hands of the District Court the power, on a day-to-day and case-to-case basis, of determining appellate jurisdiction, and, on this same basis, to alter at will the meaning of Section 1291. Furthermore, this contention places within the hands of the District Court the power "to

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ignore the Supreme Court's prior construction of that statute": *Bendix Aviation Corp. v. Glass*, (1952) 195 F. 2d 267, 281. Clearly, amended Rule 54(b) should not be so construed.

The rules themselves show that this Court had no intention of extending the jurisdiction of the Courts. Rule 82 pointedly states that "These rules shall not be construed to extend or limit the jurisdiction of the United States district courts or the venue of actions therein." While this rule does not refer specifically to Courts of Appeals and technically it would not have been proper to have included reference to appellate jurisdiction therein, it seems clear that the same policy which prompted Rule 82 demands that appellate jurisdiction, as established by Acts of Congress, be not affected. See *Moore's Federal Practice*, Second Edition, Vol. 6, Section 54.21. Judge Learned Hand, in *Flegenheimer v. General Mills, Inc.*, (2 Cir., 1951) 191 F. 2d 237, 241, found the language of Rule 82 "insurmountable" and a "self-denying ordinance" precluding the broad or affirmative construction of the Rule.

See Judge Frank's concurring opinion in *Pabellon v. Grace Line, Inc.*, (2 Cir., 1951) 191 F. 2d 169, 176-177, for a careful analysis of this Court's earlier decisions enunciating principles contrary to and foreclosing the broad or affirmative construction of the rule.

It is certainly clear that Congress never intended any such departure from established principles of appellate jurisdiction such as those necessarily involved in the broad or affirmative construction of amended Rule 54 (b). As this Court pointed out in the *Baltimore*

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Contractors case, *supra*, the requirement of finality has remained a part of our law since the Judiciary Act of 1789 and was reenacted in 28 U.S.C., Section 1291, on June 25, 1948. This reenactment of the requirement of finality without change clearly implies legislative adoption of the prior constructions by this Court of Section 22 of the Judiciary Act of 1789 and its subsequent counterparts: *Johnson v. Manhattan Railway Co. et al.*, (1933) 289 U.S. 479, 500. Amended Rule 54 (b) was part of the 1946 amendments to the Federal Rules, which were promulgated on December 27, 1946 but did not become effective until March 19, 1948. Certainly, if Congress had any thoughts of such a sweeping change in appellate jurisdiction as that involved in the subsequent constructions of amended Rule 54 (b), it never would have reenacted Section 1291 and its requirement of "final decisions" for appellate jurisdiction *after* the amendment of the Rules.

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F. If Construed to Enlarge Appellate Jurisdiction or to Render Final the District Court's Order Containing the Talismanic Language of the Rule, Amended Rule 54 (b) Exceeds the Rule-Making Power of This Court and Is Invalid.

As we have demonstrated, under the broad or affirmative view of amended Rule 54 (b), as applied by the Court below in this case, appellate jurisdiction has been enlarged and the Courts of Appeals divested of the power and right to determine their own jurisdiction. When so construed, the rule violates not only Section 1291 of Title 28, United States Code, but also the Enabling Act (c. 651, Sec. 1, 48 Stat. 1064, June 19, 1934) authorizing the rules.

Under Article I, Section 8 of the Constitution, Congress was given the power "to constitute" tribunals inferior to the Supreme Court. Under this grant, only Congress can confer jurisdiction upon the inferior Federal Courts and only Congress can regulate the scope and terms of that jurisdiction:

Thomas C. Sheldon, et al. v. William E. Sill,
(1850) 8 Howard 441, 449;

Turner v. The President, Directors, and Company, of the Bank of North America,
(1799) 4 Dallas 8;

The United States v. Hudson and Goodwin,
(1812) 7 Cranch 32;

William F. Carey, et al. v. Edward Curtis,
(1845) 3 Howard 236;

Kline et al. v. Burke Construction Company,
(1922) 260 U.S. 226.

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Of course, this Court and the inferior Federal Courts have the inherent power to adopt rules. That power is of a limited nature and does not extend to enlargement or restriction of jurisdiction. It is at least doubtful whether Congress could delegate to the Courts or to any other tribunals the strictly legislative power of determining the scope and terms of jurisdiction in the inferior Federal Courts: cf. *Wayman, et al. v. Southard et al.*, (1825) 10 Wheaton 1, 42, 43, 45; *The Bank of the United States v. Halstead*, (1825) 10 Wheaton 51. In any event, it is clear that Congress did not grant, by the Enabling Act or otherwise, any power to extend or restrict the jurisdiction conferred by Section 1291. On the contrary, it expressly stated that the rules to be promulgated should "neither abridge, enlarge nor modify" any substantive right.

This Court expressly recognized in *Washington-Southern Navigation Company v. Baltimore & Philadelphia Steamboat Company*, (1924) 263 U.S. 629, that Court rules cannot enlarge or restrict jurisdiction, stating (p. 635):

"The function of rules is to regulate the practice of the court and to facilitate the transaction of its business. This function embraces, among other things, the regulation of the forms, operation and effect of process; and the prescribing of forms, modes and times for proceedings. Most rules are merely a formulation of the previous practice of the courts. Occasionally, a rule is employed to express, in convenient form, as applicable to certain classes of cases, a principle of substantive law which has been established by statute or decisions. But no rule of court can enlarge or restrict juris-

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diction. Nor can a rule abrogate or modify the substantive law."

If, as seems apparent, amended Rule 54 (b) is in conflict with an Act of Congress in regard to jurisdiction, it must give way to the Act.

When construed broadly, Rule 54 (b) also is invalid as violative of the Enabling Act (c. 651, 48 Stat. 1064, 28 U.S.C., Sec. 2072) authorizing the rules. It gave this Court power to prescribe, for the *District Courts*, by general rules, "the forms of process, writs, pleadings, and motions, and the practice and procedure in civil actions at law," and expressly provided that such rules "shall neither abridge, enlarge, nor modify the substantive rights of any litigant."

The broad or affirmative construction of Rule 54 (b) enlarges the jurisdiction of the District Courts by vesting in them power to conclusively grant and determine appellate jurisdiction—a power possessed only by Congress. It also extends or enlarges appellate jurisdiction by granting appellate jurisdiction to the Courts of Appeals in cases in which no "final decision" has been rendered, *e.g.*, the case at bar.

This broad construction also abridges and modifies the "substantive rights" of litigants. The right of appeal in a proper case is a substantive right: *Brown v. McConnell*, (1888) 124 U.S. 489, 490; *Alaska Packers Assn. v. Pillsbury, Deputy Commissioner, et al.*, (1937) 301 U.S. 174, 177. And the denial of an appeal or the granting of one where it did not previously exist abridges, enlarges or modifies substantive rights. Moreover, the Congressional policy discussed by this Court in *Baltimore Contractors, Inc. v. Bodinger*, (1955) 348 U.S. 176,

178, vests in litigants the substantive right of freedom from the expense and delays of repeated appeals in the same suit. That substantive right is clearly abridged or modified by the broad construction of Rule 54 (b). Since it places within the discretion of the trial judge whether to permit an appeal in the exceptional "off-shoot" situations, as exemplified by *Forgay et al. v. Conrad*, (1848) 6 Howard 201, and *Radio Station WOW, Inc. et al. v. Johnson*, (1945) 326 U.S. 120, this broad construction abridges or modifies the substantive right of appeal in such cases to protect property rights affected by the judgment. It abridges or modifies the substantive right of intervention in those cases where intervention is a matter of right. And numerous other situations could be mentioned in which the vesting of such broad discretionary powers over appellate jurisdiction in the District Courts would result in abridgment or modification or denial of substantive rights of the litigants.

This Court (doubtless with knowledge of the conflict in the Courts of Appeals), in effect, already has held this broad construction of amended Rule 54(b) untenable. In *Baltimore Contractors, Inc. v. Bodinger*, (1955) 348 U.S. 176, this Court commented upon Congress's long-standing and expressed "policy against piecemeal appeals," pointing out (p. 178) that the "requirement of finality has remained a part of our law" ever since 1789, and then stated (p. 181) that this Court "is not authorized to approve or declare judicial modification" thereof and (p. 181) that it is the responsibility of all Courts "to see that no unauthorized extension or reduction of jurisdiction, direct or indirect, occurs in the federal system." This Court then stated (pp. 181-182):

"The choices fall in the legislative domain. They are

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enlargement of the allowable list of appealable interlocutory orders; abandonment of fragmentary appeals; or a general allowance of such appeals in the discretion of the trial judge upon findings of need, with or without the consent or approval of the appellate court."

Thus, this Court has expressly held that the effect given to amended Rule 54 (b) by the proponents of the broad or affirmative construction is outside the rule-making power of this Court and resides solely in the "legislative domain."

We submit that the rule, when broadly or "affirmatively" construed, not only violates Section 1291, U.S.C. and the Enabling Act, but also is inimical to principles repeatedly enunciated by this Court.

G. If Construed to Fix and Enlarge Appellate Jurisdiction, Rule 54 (b) Would Create Numerous Problems in Judicial Administration.

This novel conception of judicial power which gives the District Courts the power to decide matters governing or fixing the jurisdiction of the appellate Courts, including this Court, will most certainly result in non-uniformity, if not chaos, in respect of appellate jurisdiction. Whether or not an appeal will lie in any given set of circumstances will vary from District Court to District Court, as well as from judge to judge, in a given Court. And it may vary from day to day in a single courtroom. Certainly, Congress, in its delineation of appellate jurisdiction, contemplated no such condition, for it has carefully limited appellate jurisdiction to "final

decisions" and a few exceptions thereto specified in Section 1292, U.S.C. Nor did this Court contemplate any such situation in promulgating the rules, as is clear from its pronouncements and the self-imposed limitation of Rule 82.

A District Court, in the exercise of its discretion, may seek enlightenment on one defense or one point of law involved in a multiple claims case, particularly if it will dispose of the case, and will enter an order containing the magic sentence of Rule 54(b), thus granting an appeal in a case prior to rendering a final decision. This sort of thing may create a flood of appeals; but, in any event, it would clearly violate the intent of Congress in limiting appeals in most cases to final decisions.

Various difficulties in the administration of appellate jurisdiction and procedure are pointed out in the Brief for the Petitioner in *Sears, Roebuck and Co. v. Bruce A. Mackey et al.*, No. 34, now before this Court, and will not be reiterated here. It will suffice to state that those problems, inconveniences and possible denial of substantive rights far outweigh the advantage of the mechanical determination of appellate jurisdiction provided under the broad interpretation of the rule.

*Conclusion.***CONCLUSION.**

We submit that the Court below erred in accepting jurisdiction and its decision should be reversed and respondent's appeal dismissed and the case remanded to the District Court for trial on respondent's counterclaim.

Respectfully submitted,

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Of Counsel

January 12, 1956.

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W. H. H. J. Clark

IN THE
Supreme Court of the United States

OCTOBER TERM, 1955

No. 76

**THE COLD METAL PROCESS COMPANY and THE
UNION NATIONAL BANK OF YOUNGSTOWN,
OHIO, TRUSTEE, Petitioners,**

v.

**UNITED ENGINEERING & FOUNDRY COMPANY,
Respondent.**

**On Writ of Certiorari to the United States Court of
Appeals for the Third Circuit.**

PETITIONERS' REPLY BRIEF

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**On Writ of Certiorari to the United States Court of
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PETITIONERS' REPLY BRIEF

I.

**Respondent's Brief Is Inaccurate in Its Characterizations
of the Counterclaim.**

Throughout its brief, respondent has referred to "Civil Action 7744" as though it were an independent action and merely "ancillary" to this action (Equity 2991), although, in a few instances, it has referred to it as "the so-called 'counterclaim.'" This tends only toward confusion.

The mere fact that respondent mistakenly filed its counterclaim as an "ancillary" action at the outset and got the Clerk to assign a new number to it does not change the nature of the pleading, as determined by the Court of Appeals when the issue was squarely presented to it (190 F. 2d 217, 218, 219, 220, 221). That Court held the pleading to be a counterclaim in Equity 2991 (the case at bar), stating (p. 218) :

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"The pleading is in reality a 'counterclaim.'"

Throughout its opinion, the Court referred to it as a "counterclaim" and, at page 221, stated further:

"So clearly is the subject matter of United's counterclaim ancillary to the proceeding at No. 2991 that had the counterclaim matured when the original answer was filed, the counterclaim would have been 'compulsory' within the purview of Rule 13 (a) and had United failed to plead it, it could not subsequently have been maintained. United's counterclaim grew out of the same 'transaction' or 'occurrence' which created Cold Metal's claim, viz. the 1927 agreement."

After that decision, respondent moved for leave to file its "counter-claim" (R. 44). It was granted permission "nunc pro tunc to file its counterclaim" (R. 45); and the amended pleading which respondent filed was labeled, in part, as a "Counterclaim in Equity No. 2991" (R. 28).

Therefore, it is clear that the pleading in question is a counterclaim, as the Court below held, and that it grew out of the same "transaction" or "occurrence" as the main claim asserted by petitioners.* And, as is

* The Court below held that, had the counterclaim matured when the original answer was filed, it would have been a compulsory one and then erroneously said it had not matured. The fact is that it did mature before the original answer, as respondent's brief here (p. 4) shows. Petitioners had sued U. S. Steel Corp. on the basis of respondent's mills on July 7, 1934, four months before this action (Equity 2991) was filed. And one month before this case was filed, respondent, as it now admits (Br. 4), filed an action in Ohio complaining about the same things as those asserted in its counterclaim fifteen years later.

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pointed out, *infra*, pages 9-11, it seeks recoupment or set-off on the basis of the same facts as those on which it relies defensively to destroy petitioners' right of recovery. In fact, in some instances, respondent seeks recoupment in respect of exactly the same mills as those on which petitioners have been awarded royalties by the Master and the District Court.

II.

Factually, Respondent's Brief Is Inaccurate in Several Respects.

The issues presented to this Court do not involve the merit or lack of merit in the positions asserted by the parties in this long and involved litigation. However, there are a few points asserted by respondent on which we feel constrained to comment.

Respondent (Br. 6) says that petitioners granted the U. S. Steel Corp. "an unlimited license," evidently trying to create the impression that petitioners disregarded respondent's rights. This is incorrect. Reference to the Master's Report (Vol. II of United's Appendix, Appeal 11,582, copies of which were filed with the Petition for Certiorari), at pages 34 and 94, shows that this and other licenses were "made subject to United's rights under the 1927 contract" and "do not invade United's license rights under the contract."

Respondent says (Br. 11, 17, 18) that below petitioners take the position that "United has never had any license" and that the scope and "effectiveness of United's license" are in issue. These assertions are incorrect. The existence of respondent's rights and the nature thereof were determined by the decision of the

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Court of Appeals (107 F. 2d 27) long ago when the case was remanded for an accounting; and any controversy in regard thereto arises solely by reason of respondent's attempts to defeat petitioners' right of recovery by now arguing failure of consideration and by its defensive counterclaim based on the same antiquated facts.

Respondent (Br. 20) says that "after the mandate on the 1939 appellate decision came down, Cold Metal began the series of illegal acts" complained of in the counterclaim. This is incorrect. Respondent, in its brief (Br. 4), admits that petitioners sued one of its customers in 1934. See also respondent's original answer in this case (R. 112, 118) and the District Court's findings (R. 156). And, prior to the bringing of this suit, respondent had complained, in Equity No. 5059 in Ohio, about the same conduct of petitioners as that complained of in the counterclaim (R. 158).

Respondent (Br. 14) also says that the *Bendix* case (195 F. 2d 267) "has now been followed by all of the Courts of Appeals that have had occasion to apply and pass directly on the validity of" Rule 54 (b). This is incorrect. See *Gold Seal Co. v. Weeks*, (C.A. D.C., 1954) 209 F. 2d 802.

Respondent (Br. 8) has commented upon the order of Judge Miller in the District Court covering postponement of the trial on the counterclaim. Contrary to the impression respondent may have attempted to leave with the Court, there never was any thought on the part of petitioners or Judge Miller that there should be an appeal on the questions disposed of by the Master's report before trial of the counterclaim. The order of Judge Miller (R. 45-46) merely postponed the trial on

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the counterclaim until the objections to the Master's report were disposed of by the District Court. Respondent, in this same connection, asserts (Br. 18) that the issues decided by the District Court "have been treated by two judges of the district court as properly severable for trial" from the issues involved in the counterclaim. This is incorrect, but, in any event, is immaterial. Respondent is confusing Rule 42, relating to severability of issues for separate trials, with Rule 54 (b), which relates to severability for purposes of judgment. Rule 42 is expressly governed by Rule 13 (i), which states that the District Court can enter separate judgments on severed issues only in conformance with Rule 54 (b).

III.

The Judgment in Issue Is Not a Final and Appealable Judgment Measured by Any Proper Standard.

A. THE JUDGMENT WOULD NOT HAVE BEEN APPEALABLE PRIOR TO THE RULES OF CIVIL PROCEDURE.

As we have pointed out (Br. 16, 21-23), the judgment in question would not have been appealable prior to the enactment of the Rules because it does not dispose of a complete judicial unit. It leaves completely adjudicated a defensive counterclaim for recoupment or set-off which arises out of the same transaction or occurrence as petitioners' claim. Moreover, as we shall point out (*infra*, pp. 9-11), the judgment below, in reality, does not even dispose of a whole claim.

Respondent argues that the "so-called 'counterclaim'" would have been maintainable as a separate ancillary action under pre-rules practice. This argu-

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ment is outside the scope of the issues presented here. It flies in the face of the express holding of the Court of Appeals, on an earlier appeal by respondent (190 F. 2d 217), that respondent's claims are maintainable only as a counterclaim in this case. Also, it ignores the fact that the amended pleading we are concerned with here was filed as a counterclaim pursuant to the direction and mandate of the Court of Appeals.

Respondent also argues (Br. 24-25) that the judgment would have been appealable under the principle of *Forgay et al. v. Conrad*, (1848) 6 How. 201, and, in support of its argument, sets forth an emasculated quotation from that case which omits extremely pertinent passages of the Court's statement and gives an entirely incorrect picture of the Court's holding in that case.

In that case, the nature of the complaint was stated by the Court as follows (p. 202) :

"The object of the bill was to set aside sundry deeds made by Banks for lands and slaves, which the complainant charged to be fraudulent, and for an account of the rents and profits of the property so conveyed; and also for an account of sundry sums of money which he alleged had been received by one or more of the defendants, as specifically charged in the bill, which belonged to the bankrupt's estate at the time of his bankruptcy."

The nature of the decree in question was stated as follows (p. 204) :

"The case before us is a stronger one for an appeal than the case last mentioned. For here the decree not only decides the title to the property in dispute, and annuls the deeds under which the de-

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fendants claim, but also directs the property in dispute to be delivered to the complainant, and awards execution. And according to the last paragraph in the decree, the bill is retained merely for the purpose of adjusting the accounts referred to the master."

The Court went on to point out that, if appellants had to wait until the accounts were reported by the Master, they would be irreparably injured because the lands and slaves would be taken and sold and the proceeds distributed before the appellants could be heard. The Court went on to say (p. 204) :

"And when the decree decides the right to the property in contest, and directs it to be delivered up by the defendant to the complainant, or directs it to be sold, or directs the defendant to pay a certain sum of money to the complainant, and the complainant is entitled to have such decree carried immediately into execution, the decree must be regarded as a final one to that extent, and authorizes an appeal to this court, although so much of the bill is retained in the circuit court as is necessary for the purpose of adjusting by a further decree the accounts between the parties pursuant to the decree passed."

Thus, the Court's statement of the pertinent rule does not support respondent's argument but, instead, shows the inapplicability of the rule to this case, in which there is nothing but a money judgment on which execution has been stayed.

The *Forgay-Conrad* rule, as this Court's decisions show, applies only where irreparable injury would re-

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sult from the immediate transfer of property or some other similar act resulting from the carrying out of the decree and where only ministerial acts remain to be done.

**B. THE JUDGMENT WOULD NOT HAVE BEEN
APPEALABLE UNDER ORIGINAL RULE 54 (b).**

Respondent argues that the judgment would have been appealable under original Rule 54 (b), basing its argument on the Court of Appeals' statement that the counterclaim was not compulsory. The authorities cited in petitioners' main brief (pp. 16, 24) show that respondent's argument is incorrect.

Moreover, whether the counterclaim was compulsory or permissive is not determinative of the question. Original Rule 54 (b) says that "upon a determination of the issues material to a particular claim and all counterclaims arising out of the transaction or occurrence which is the subject matter of the claim," the Court may enter a judgment disposing of such claim. Thus, the test under the original rule was whether there was a determination of "the issues material to a particular claim and all counterclaims" arising out of the same transaction. Here the counterclaim, as the Court of Appeals held, grew out of the same transaction or occurrence. Moreover, there has not been a determination of all issues "material to a particular claim" since there was no determination of respondent's claim for recoupment or set-off which is based upon the same facts as its other defenses and seeks to extinguish the very judgment from which respondent has appealed.

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C. THE JUDGMENT IS NOT APPEALABLE UNDER ANY PROPER CONSTRUCTION OF AMENDED RULE 54 (b).

Respondent asserts (Br. 14-18) that the judgment of the District Court is appealable under amended Rule 54 (b); but the arguments advanced in support of this conclusion, which are predicated on the facts of this case, serve only to point up (a) that the main claim and respondent's counterclaim for recoupment are inextricably interrelated, (b) that, in reality, the counterclaim for recoupment is nothing more than a *defense* to petitioners' claim for royalties, (c) that both the main claim and the counterclaim for recoupment or set-off (whichever it is called) must both be determined before there can be a final judgment as to the royalties due, and (d) that this interrelationship between the main claim, the defenses asserted thereagainst (particularly the defense of failure of consideration arising out of the same facts and circumstances as those involved in the counterclaim), and the defensive counterclaim indicate clearly that the District Court did not even dispose of a whole claim. We refer particularly to respondent's arguments at page 15, last paragraph, page 17, second paragraph, and page 17, last paragraph. See also page 7, first paragraph.

The main claim asserted in the complaint and supplemental complaint is petitioners' right, under the 1927 agreement, to royalties on mills manufactured and sold by respondent. Although recovery of royalties was ordered (R. 20-22), respondent, before the Master and the District Court, asserted (R. 49-50) that there was a failure of consideration by reason of (a) petitioners'

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filing of infringement suits against purchasers of mills from respondent, (b) petitioners' direct licensing of users of mills under patent 1,779,195, and (c) statements made in litigation as to the doubtful and limited nature of respondent's rights. These defenses, on the merits, were rejected by the Master and the District Court.* Respondent now seeks to appeal from those rulings and then, if they are sustained, to go back to the District Court and, on the same facts and circumstances, establish a basis for recoupment or set-off so as to extinguish the very judgment from which it has appealed.

A review of the counterclaim (R. 28-44) shows clearly (a) that respondent relies upon the same matters as those stated above, namely, petitioners' filing of infringement suits, petitioners' licensing of others, and statements of petitioners' counsel in other litigation, (b) that respondent is seeking to recover from petitioners, for purposes of recoupment only, royalties paid petitioners by others on some of the same mills on which it has been determined that petitioners are entitled to recover from respondent, and (c) that the object of the counterclaim is to get recoupment only to extinguish the judgment in this case. This is evident not only from the counterclaim, but also from respondent's statement thereof (Br. 7).

Thus it is clear that the counterclaim not only arises out of the same transaction or occurrence but

* The District Court also stated (R. 51) that the judgment of specific performance stands as a bar to all such defenses, citing *Cromwell v. County of Sac*, (1876) 94 U.S. 351.

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also involves exactly the same factual matters as respondent's present defenses and that, until the District Court passes on the counterclaim, it will not have adjudicated even a whole claim.

It is clear, under the authorities, that amended Rule 54(b) is inapplicable where multiple claims are not involved. It is likewise clear, under all of the authorities, that, under amended Rule 54(b), the Court cannot properly enter a final judgment upon less than a whole claim. In these regards, see:

United States Plywood Corporation v. Hudson Lumber Co. et al., (2 Cir., 1954) 210 F. 2d 462;

Gold Seal Company v. Weeks, Secretary of Commerce et al., (C.A. D.C., 1954) 209 F. 2d 802;

Leonidakis v. International Telecoin Corp., (2 Cir., 1953) 208 F. 2d 934;

Pabellon v. Grace Line, Inc., (2 Cir., 1951) 191 F. 2d 169.

Of course, if amended Rule 54(b) is given the broad, conclusive, affirmative construction which some of the Courts have given it, the inclusion of the talismanic language of the rule in a judgment would make it final even though the judgment did not cover a whole claim, as is the case here. Any such construction clearly would be contrary to the intent and purpose of the amended rule. As a minimum, it was intended that at least a whole claim should be adjudicated. To hold otherwise would do violence to the final judgment requirement of Section 1291. And, since the District

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Court, in this case, did not even adjudicate a whole claim, the judgment in question does not constitute a final judgment.

Respondent has characterized its counterclaim as being for recoupment. That characterization is accurate, but it only serves to point up the necessity of a determination of the counterclaim before there can be a final appealable judgment, since recoupment always grows out of the same transaction and is defensive in nature:

Bull, Executor v. United States, (1935) 295 U.S. 247;

City of Grand Rapids, Michigan, et al. v. McCurdy, (6 Cir., 1943) 136 F. 2d 615;

Pennsylvania Railroad Co. v. Miller, (5 Cir., 1941) 124 F. 2d 160.

IV.

Conclusion.

We submit that, tested by any proper standard, the decision of the District Court is not a final judgment from which an appeal can be taken, that amended Rule 54 (b) should not be construed in such a way as to permit the District Courts to fix and enlarge appellate jurisdiction, that, if so construed, amended Rule 54 (b) exceeds the rule-making power of this Court and is invalid, that the Court below erred in accepting jurisdiction, and that its decision should be reversed and respondent's appeal dismissed and the case remanded to the District Court for trial on respondent's counterclaim.

Respectfully submitted,

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OCTOBER TERM, 1955

NO. 785 76

THE COLD METAL PROCESS COMPANY et al.,
Petitioners

v.

UNITED ENGINEERING & FOUNDRY COMPANY,
Respondent.

RESPONDENT'S BRIEF OPPOSING PETITION
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RESPONDENT'S BRIEF OPPOSING THE PETITION FOR A WRIT OF CERTIORARI

Questions Presented

Respondent cannot agree with petitioner's statement under this head. The case below is not one where a non-appealable order has been made appealable by, and only by, the certificate of FRCP Rule 54 (b). No jurisdiction not existing in the absence of this rule has been created or conferred in this case merely by the recital specified in the rule. The case presented is one where the Court of Appeals below required the final order and judgment of the district court to be worded in accordance with Rule 54 (b) as a procedural matter because dependent conditional issues were pleaded in a copending separate Civil Action, and where trial of that civil action had been continued *sine die* by the district court, pursuant to joint request of the parties (as the court said), "because the issues on this Civil Action are in a major respect dependent upon disposition by the Court of the Report of a Special Master in Equity 2991, to which this case [Civil Action 7744] is ancillary, or in partial effect a counterclaim for recoupment or set off." The question (stated by petitioner) of "automatically and conclusively creating a final appealable order conferring immediate jurisdiction in the Court of Appeals," is not present in the case below. There is no conflict with the case at bar with any decision of any Court of Appeals applying Rule 54 (b) to similar facts.

All of the issues presented by the original pleadings in Equity 2991, developed in the trial on those pleadings, and left open by the Court of Appeals after the trial, (by its decision in 107 F (2d) 27), have been finally disposed of by the Master's Report and by the district

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court's affirmance of that report. The only unadjudicated issues between the parties are the dependent issues raised in Civil Action 7744, which was filed as an independent suit to enforce claims that only matured after the above-mentioned trial and appeal in Equity 2991. The statement in the preceding sentence is based on the opinion in 190 F (2d) 217. See footnote 17, page 221.

Counter-Statement of the Case.

Petitioner's statement of the case omits facts which throw light on the subject matter and nature of the appeal below, here involved.

On June 20, 1927 the parties entered into the patent license contract on which the pending litigation is based. It is printed as a footnote to a decision of the court below in this case reported at 107 F (2d) 27, and reprinted in Vol. II of United's Appendix, page 161, on file with this Court.

The third paragraph of that contract provides as follows:

"3. When and if such claim or claims to common subject-matter are granted in any patent issued on Cold Metals' applications, Cold Metals shall grant to United a license to make, use and sell rolling mills under such claim or claims, which license shall be exclusive to United for 4-high hot mills and for 4-high cold mills, in which the major portion of the power required by a roll stand is supplied to the rolls directly and not through tension exerted on the material for pulling it through the rolls; * * *"

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The patent (No. 1,779,195) contemplated by the contract issued October 21, 1930. Instead of granting the license, petitioner-Cold Metal sued respondent-United as an infringer of that patent, Equity 2506, filed March 7, 1931. United contested validity of the patent and alternatively pleaded license. January 9, 1933, the district court held the patent valid, but dismissed the complaint on the defense of license. 3 F. Supp. 120.

An appeal from the holding of validity was taken by respondent-United. The Third Circuit Court of Appeals below, upon petitioner's motion, on January 3, 1934, dismissed the appeal on the ground that United, being a licensee, could not contest validity. 68 F (2d) 564.

Assuming it had been held to have the exclusive license defined in the contract, respondent-United then sued (as exclusive licensee, joining Cold Metal) two competing unlicensed mill manufacturers. Respondent-Cold Metal thereupon filed on November 17, 1934, the suit (Equity 2991) in which the appeal below arises. A principal prayer of the complaint was that United be enjoined from prosecuting its suits as exclusive licensee. The trial court denied Cold Metal's motion for preliminary injunction and reaffirmed its decision that United was entitled to the exclusive license defined in the 1927 contract. 9 F. Supp. 994.

The Court of Appeals below on September 27, 1935, on an interlocutory appeal, ordered the preliminary injunction, stating *inter alia* that the contract was unenforceable for lack of terms, particularly the rate of royalty to be paid. 79 F (2d) 666.

Respondent-Cold Metal on May 11, 1936 filed a supplemental complaint in Equity 2991 asking *inter alia*

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that United be held to account as an infringer, and that the 1927 contract be judicially rescinded. Upon trial on the merits the trial court on January 4, 1938 again held the contract valid and enforceable, but, pursuant to mandate, permanently enjoined United from prosecuting its suits as exclusive licensee. 83 F. Supp. 914.

Respondent-Cold Metal again appealed. The Court of Appeals below on June 15, 1939, held the contract valid and enforceable, United entitled to the exclusive license defined in the contract, and directed the lower court to supply the rate of royalty for the license, to complete the contract. 107 F (2d) 27.

On June 20, 1941, respondent-United filed a motion in the district court for leave to file an amended answer and counterclaim in Equity 2991. In that pleading it sought to force petitioner-Cold Metal to respect respondent's license, and to raise other issues based on petitioners breach (after the 1939 decision of the appellate court) of the license, consistent with its present position. On February 18, 1942 the district court denied the motion on the ground that the district court could only carry out the existing mandate of the Court of Appeals. The opinion said the affirmative relief sought should be the subject matter of a *separate suit*, and the alleged breaches of contract by Cold Metal could be raised before the master in determining payment due under the contract. 43 F. Supp. 375.

On September 29, 1943 the district court entered a decree pursuant to mandate appointing the master (whose report is now the basis of the pending appeals by both parties) to determine payment due from respondent-United for past operation under the contract,

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and to ascertain and state the rate and basis of payment on licensed mills sold thereafter.

On March 28, 1949, after the patents under which respondent claims an exclusive license had expired, and after the accounting had been in process for six years, United filed in the district court below an "Ancillary Cross-Complaint," Civil Action No. 7744, seeking to enforce the previous decisions of the courts below to protect users of licensed mills, and seeking to require Cold Metal to account for moneys it had collected within the field of United's exclusive license and to recover such moneys *to the extent necessary to off-set or recoup any amount of royalty that might be otherwise due from respondent-United for the license.* See prayers, printed at page 22 of the appendix to this brief.

United thereafter filed a motion in that Civil Action for preliminary injunction to restrain petitioner-Cold Metal from suing users of United licensed mills. Petitioner-Cold Metal concurrently filed a motion to dismiss the ancillary complaint. On August 28, 1950 the district court dismissed the complaint on the ground that it was not ancillary to Equity 2506 or Equity 2991. 92 F. Supp. 596.

Respondent-United appealed. The Court of Appeals below on June 8, 1951 held the subject matter *clearly ancillary and within the jurisdiction and venue of the district court*, but that the pleading should have been filed or entitled as a *permissive counterclaim in Equity 2991.* 190 F (2d) 217. See footnote 17 of that opinion.

Respondent-United thereupon filed an "Amended Ancillary Complaint and Counterclaim" in Civil Action

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7744 on October 29, 1951. Petitioner again moved to dismiss the complaint and counterclaim. That motion after a long delay was denied.

In June 1954, after filing of the master's report in Equity 2991, but before objections thereon had been filed, Civil Action 7744 was noticed for pre-trial and trial by Judge Miller of the district court. Counsel for petitioner and respondent went before Judge Miller and jointly informed him that *they desired to dispose of the master's report before trial of the issues of the copending civil action*, that the issues in the civil action were "in a major respect dependent upon disposition by the court of the report of a special master in Equity 2991" and that disposition of the master's report might make it undesirable to try the copending civil action. Thereupon Judge Miller entered an order continuing the civil action *sine die*, and removing it from the trial calendar. That was and still is the status of what the petitioner refers to as the unadjudicated "counterclaim." Judge Miller's order, reciting the agreement of counsel on which it was based, is printed at page 75a of petitioner's motion to dismiss respondent's present appeal. (Yellow cover.) For convenience of this court, since only one copy of that document is here on file, we reprint that order as an appendix to this brief, at page 25 below.

The master's report was filed May 28, 1954. That report is Volume II of United's Appendix, nine copies of which are on file with the petition for certiorari.

The master's report lists the licensed mills, fixes the royalty rate for the license, finds that United's license was effective from 1930 to 1947, and that United's

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customers were licensed to use United mills within the scope of the license, holds that certain United mills are exempt from royalty, that Cold Metal has failed to respect the license defined in the contract, and has failed to perform its obligations under the contract in numerous specifically stated respects, but nevertheless held United liable for royalty payment for the license. Vol. II of United's Appendix, pp. 38-42.

The trial court approved the master's report and entered judgment for \$387,650 with interest at 6% from the date of the master's report. Appendix to the petition for certiorari herein, pages 16-33. Both parties appealed.

Thereafter, after having filed an appeal, petitioner-Cold Metal moved to dismiss respondent-United's appeal on the sole ground that the district court's order *did not comply with Rule 54 (b)*. Respondent-United argued to the appellate court below in support of its appeal, that the court's order was final and appealable *per se* because it adjudicated the vital issues and controlling principles upon which the copending unadjudicated issues set out in Civil Action 7744 are dependent, pointing out that if respondent's appeal succeeds, the issues in the copending action will in all material respects be disposed of, and that in any event final decision of the controlling issues raised by the master's report is necessary before the dependent issues in the ancillary civil action can be tried, as indicated in Judge Miller's order above referred to. Petitioner-United's brief on that appeal is in the record of the petition for certiorari. That first appeal of respondent was dismissed by the order printed at page 31 of the appendix to the petition.

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Contrary to what petitioner argues at page 8 of its petition, the Court of Appeals below *did not hold* that the judgment below was not *per se* appealable, except for Rule 54 (b) FRCP. As we understand, the appellate court dismissed the first appeal because the trial court did not follow the *procedure* provided by Rule 54 (b).

The order of the court below dismissing respondent's first appeal (without prejudice to entering by the trial court of an amended order "in compliance with Rule 54 (b)") is printed at page 31 of Appendix B of the petition for certiorari. It indicates by obvious inference that the appeal was dismissed because Rule 54 (b) had not been followed and the trial court could remedy this procedural error by vacating the first order and entering an amended "final judgment in accordance with the provision of Rule 54 (b)."

Respondent-United promptly moved the district court to vacate its first order and to enter an amended judgment in accordance with that rule. Petitioner opposed that motion. An amended order was entered by the district court complying with Rule 54 (b). It is the order now on appeal by both parties. It is printed at page 32 of the petition for certiorari.

Respondent-United's pending appeal was filed March 31, 1955, from the amended order. Petitioner moved to dismiss that second appeal on the ground that the district court was without authority to enter the amended order, or had abused its discretion in including the certificate provided by Rule 54 (b) in its amended order. A single copy (yellow cover) of that motion, the brief supporting it, and appendices, has been filed in

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this Court as part of the record on the petition for certiorari.

The Court of Appeals below denied petitioner's motion to dismiss, after oral argument and full briefing by both parties, by its order of April 21, 1955. With that order it filed an opinion. That order and opinion are printed at pages 34-5 of Appendix B to the petition for certiorari. In that opinion the Court of Appeals below says that the circumstances and procedure upon which the respondent's pending appeal is based "is the very kind of thing Rule 54 (b) was written to provide for."

Both petitioner and respondent are in the appellate court below appealing from that order and judgment. Respondent-United contests the order and judgment approving the master's report on the ground *inter alia* that petitioner has no standing to collect royalty under a license which the master found it has always denied, repudiated, and breached. Petitioner-Cold Metal contests the established rate of royalty, the master's list of mills subject to royalty, the amount of the judgment, the holding that respondent-United has ever possessed the license defined by the contract in suit, and asserts a right to maintain current suits against users of United mills as *infringers* by use of the very United mills for which royalty has been assessed by the master and the district court. The statements of this paragraph are based on the opinion of the district court, printed at page 16 of the appendix to the petition for certiorari.

Petitioner's statement of the case, and other portions of the petition, refer to the unadjudicated proceedings in Civil Action 7744 as a "counterclaim" seeking an

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accounting, damages, a set-off, etc., arising out of the same transaction as that on which the complaint in Equity 2991 is based. That pleading is printed at pages 53a-73a of the (yellow) Motion of Petitioner to dismiss the appeal in question. For convenience of this court (since but one copy of that motion is in the record here), we reprint the prayers of that counterclaim in the appendix to this brief at page 22 below.

When objections to the master's report were argued before the district court in December 1954 neither party suggested to that court that the copending civil action should be considered with, or decided before, final disposition of the issues raised by the master's report. They had previously stated the contrary to Judge Miller in a joint request to have trial of that copending Civil Action 7744 postponed *sine die*, pending disposition of the master's report in Equity 2991. After the decision of the district court, entry of an order approving the master's report, and entry of judgment thereon, both parties appealed, still without having raised any question of the propriety and desirability of immediate appellate decision on the controlling issues raised by the Master's report, prior to trial of Civil Action 7744.

When petitioner opposed the entry of any amended order, the matter was argued in open court. The transcript of that hearing is in the record on this petition. It is printed at pages 32a-49a of the appendix to petitioner's motion to dismiss the appeal here involved. Extracts from it are printed here, there being but one copy filed with the petition for certiorari.

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Specifically Judge Willson said in that hearing on the motion to enter a new judgment in accordance with Rule 54 (b) :

"*The Court*: Of course, aside from that, the Court intended that [first] order to be a final order. * * * But there is no question about it, as far as the Court is concerned, and I say that to Mr. Webb here and all of you, so far as I was concerned, when I entered that order, I intended a final appealable order with regard to the issue then before me, without question. * * * But the Court is of a mind to sign this [amended] order, put this case in shape so it can be appealed. Because I intended flatly, based on the arguments, based on Mr. Houston's report, to confirm that report. That is all. So that this case could be decided. I think it ought to be decided by the Court of Appeals."

* * * * *

"*The Court*: If the Court of Appeals should affirm this Court, *then the counterclaim can be asserted against that judgment.** This matter can be tried. Here we had a case ten years before the Master. And I think it ought to be decided."

* * * * *

"*The Court*: Mr. Webb, it doesn't do any good—the way I view it, we have a case here that has been going on for twenty years. There are cases in all district courts in the east, apparently, on this question. It just seems to me that we should proceed the way we intended, the way the Court thought everybody wanted the Court to proceed,

* Italics in quotations added.

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and that was that that argument should be a final decision on Mr. Houston's report.

“I think, so far as this Court is concerned, without a decision by the Court of Appeals on that report, that we would just be wandering in an area where we couldn't see our way out if we tried any other issue until this case is decided.

“Mr. Webb; I don't view it in that light, your Honor.

“The Court: The Court does.

“The Court: Mr. Webb, I think this is exactly the proceeding the Court should have taken in the first place. I say that very frankly. It is what I intended. This matter was not raised at argument. We argued it very extensively. Briefs were filed, and I don't remember that anything was said about waiting for any other counterclaim or anything else. * * *

“The Court: I say very frankly that had this matter been raised, had the Court considered the necessity of applying the 54(b), it would have only taken a couple of seconds to insert that sentence, that magic sentence in that order.

“The Court: With all deference to other Courts and to counsel in this case and to you, Mr. Webb, I feel they are entitled to have this order. I personally would like to see the Court of Appeals pass on this matter because I think it will in the long run facilitate this litigation, in the hope that at some

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time it will come to a termination and an end. I don't think it can until they have decided this case."

* * * *

"The Court: I think if we get a clear cut decision from the Court of Appeals on this question, on this Master's report, and the issues that are raised, and the objections, I think then any Court here, in this Western District of Pennsylvania, will be—the way will be pointed out whereby those matters can be adjudicated. And without that, I think we are just wandering. I know this Court at least would wander around in a forest where you couldn't see your way out."

* * * *

ARGUMENT

We respectfully submit that the petition for certiorari should be denied for the following reasons.

Basic controlling severable issues have been finally decided; the issues in the ancillary complaint and counterclaim are dependent upon issues raised by the appeals.

1. The basic and controlling issues contested by the pending appeals below arise on the master's report in Equity 2991. Those issues on appeal have been treated by two judges of the district court as severable from the issues raised by Civil Action 7744. That is shown by Judge Miller's order in Civil Action 7744, July 6, 1954, postponing *sine die* trial of the civil action pending disposition of the master's report. (That order is printed at page 25 of the appendix to this brief.) It is also shown by the statements of Judge Willson on the argument as to entry of the amended order now on appeal, quoted above in our counter-statement of the case before this Court.

2. Civil Action 7744 was originally filed as a separate ancillary suit, not as a counterclaim, and was primarily an attempt to enforce decisions of the courts below in Equity 2506 and in Equity 2991. Those appellate decisions are reported: in 1934, 68 F(2d) 564; in 1939, 107 F(2d) 27. In spite of those decisions, petitioner-Cold Metal has always denied, and still denies, (and by its appeal asserts that position),—that respondent-United has ever possessed any license under the contract in suit, has denied that any purchaser of a mill

Argument in Support of Brief

from United has had or now has any right to use it, and has throughout 1934 to date sued twenty or more users of United licensed mills as infringers. See Fact Findings 72-77, pages 29-30 of the Master's Report, United Appendix Vol. II, nine copies of which are on file as part of the record before this court.

Insofar as that civil action was amended (as required by the Court of Appeals (190 F(2d) 217) below to state *inter alia* a permissive defensive counterclaim for set-off or recoupment, that "counterclaim" for set off (which petitioner refers to as "damages") obviously only becomes pertinent if the money judgment against United is affirmed on the pending appeals. (Perhaps it should have been filed after and only if the money judgment for royalty under the license is sustained on appeal; certainly it is dependent upon and controlled by a final money judgment against respondent-United.)

Insofar as the civil action prays for an accounting of moneys improperly collected by petitioner-Cold Metal within the field of United's exclusive license, that issue cannot be tried properly until and unless the rate and basis of royalty payment due from United for the license is finally determined; until the existence and scope of United's license is finally adjudicated, and until the mills coming under that license have been determined. All of those issues are involved and contested in the present appeals pending in the court below.

Obviously, if petitioner-Cold Metal's position that United has had no license under the contract in suit is sustained on the pending appeals, *all of the issues of Civil Action 7744 are thereby disposed of*. If respondent-

Argument in Support of Brief.

United has had no license it owes no royalty; if it owes no royalty it has no claim for a set-off or recoupment of payment for the license; if it has had no license it has no right to enjoin pending suits by petitioner-Cold Metal against United's customers, and no right to recover any expense of defending its customers for use of licensed mills.

3. The issues raised by the master's report in Equity 2991 are of such a nature that they control all the issues raised in the copending Civil Action 7744. As Judge Willson in effect said, until those disputed issues raised by the master's report are settled by the Court of Appeals, the district court would not be able intelligently to try the copending civil action. See quotations of statements of Judge Willson in our Counter-Statement of the Case above.

Rule 54(b) is procedural in this case; it has not *per se* created an appealable order where no appealable final order could have been entered except for the Rule.

4. Petitioner argues for certiorari on the theory that Rule 54(b) has been used to "automatically and conclusively create a final and appealable order" which *except* for Rule 54(b) would not be appealable. (Petition, page 8-9). That is not so. The court below has not so held. The history of the case, the issues involved in the order appealed from, and the nature of the issues raised by the copending Civil Action, and the statement of the two courts below, show that no such effect of Rule 54(b) has been given it in this case, therefore, no such construction of the rule is here involved.

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Argument in Support of Brief.

The Sears Roebuck case (218 F(2d) 295), now before this court on certiorari, is quite different. There the Court of Appeals for the Seventh Circuit specifically held that the order appealed from would not have been appealable except for Rule 54(b). There is a similar holding by the Appellate Court in all the other cases which are cited by the petition at pages 6-7 as showing conflicting interpretation of that rule.

5. On the first motion to dismiss we argued that compliance with Rule 54(b) was not necessary because the judgment entered January 19, 1955, adopting the master's report, was so final in nature, and so completely controlling of the dependent issues raised in the copending Civil Action 7744, that an appeal would have been proper under the statute before 54(b), or 54(b) as amended, were adopted. Our statement of the case as a whole, and the statements of the district court quoted above and in Judge Miller's order in Civil Action 7744 (p. 25 of the appendix to this brief) demonstrate the vital and controlling issues raised by the present appeals, and the necessity of having appellate decision thereon before trial of the unadjudicated *dependent* issues in the copending civil action. Application of Rule 54(b) to such an order is purely procedural and has not here "automatically and conclusively created" appellate jurisdiction not otherwise proper. Consequently no unwarranted extension of jurisdiction by rule of court is presented for consideration of this court by the petition in this case.

Before the Rules of Civil Procedure were adopted by this court, it had in proper cases approved appeals from

Argument in Support of Brief.

adjudication of part of the issues in a litigation, while other issues remained for later adjudication, or to be disposed of in the light of an intermediate appellate decision on vital issues and guiding principles. That has been many times held by this court. See, for example, *Forgay v. Conrad*, 6 How. 201, 12 L. Ed 404; *Radio Station WOW v. Johnson*, 326 U.S. 120, 65 S. Ct. 1475; and *Kasishke v. Baker*, 144 F (2d) 384 (CCA 10, 1944).

As to the purpose and effect of amended Rule 54 (b), see *Dickinson v. Petroleum Conversion Corp.*, 338 U.S. 507, 70 S. Ct. 322.

There is no conflict of interpretation of Rule 54(b) by the court below with that of other Courts of Appeals.

7. The diversity of decision in the lower courts in interpretation of the effect of Rule 54 (b) as making proper appeals from decisions not appealable except for that rule, does not justify certiorari in the present case. As the appellate court below said, in its opinion (Petition Appendix p. 31) retaining the appeal here involved, the circumstances of the present case present "the very kind of thing Rule 54 (b) was written to provide for." In the district and appellate courts below, Rule 54 (b) was applied merely as a *procedural requirement* in entering a properly final and appealable order and judgment.

The present case does not conflict with the decision of any other court of appeals construing Rule 54 (b) because the court below has *not* held that it has taken jurisdiction of an appeal that would not lie if there were no Rule 54 (b). In the "conflicting decision" cited by

Argument in Support of Brief.

petitioner at pages 6 and 7 of the petition the courts were concerned with orders applying the rule to decisions that were said to be *made appealable by the rule, and otherwise would not have been final and appealable.*

Equities call for prompt appellate decision in this case on the issues inherent in the Master's Report.

8. The facts that this case has been pending since 1934; that an accounting extending over ten years and raising pending controlling issues in the whole litigation, has been completed; that the patents involved expired eight years ago; that petitioner is even yet refusing to comply with the decisions of the court below establishing respondent's rights as an exclusive licensee; and is even actively suing respondent's customers as infringers because they have used the very mills upon which the master and trial court have ordered royalty payment under the license,—take this case out of the ordinary run, and make it obvious that there should be no avoidable delay in having the controlling basic rights and obligations of the parties under the license contract in suit finally adjudicated.

*Argument in Support of Brief.***Conclusion.**

This case does not present any interpretation of FRCP Rule 54(b) conflicting with interpretation and intent of that rule as stated by this Court or by any other Court of Appeals. It does not present the same issue as that in the *Sears Roebuck* case, in which certiorari has been granted. In the present case the trial court has said in effect that appellate decision on the issues arising on a master's report in Equity 2991 is necessary before trial of dependent issues in copending Civil Action 7744 can be intelligently adjudicated. The trial court in its order entered July 6, 1954; appendix to this brief at page 25, in the separate copending Civil Action 7744 had accepted the joint statement of counsel for the parties hereto that the issues in 2991 arising under the Report of a Special Master should be disposed of before trial of that civil action, in which the issues were "dependent" on final decision on the master's report. If Rule 54(b) has any use or value whatever in procedural requirements it applies to the present circumstances, and has been properly used and construed by the trial and appellate courts below in this case. As the Court of Appeals below said in its opinion (appendix to the Petition for Certiorari at page 34) denying a motion to dismiss respondent's appeal from an amended judgment conforming with the rule in question:

"We think the determination made under the circumstances of this case is the very kind of thing Rule 54(b) was written to provide for."

We understand this court's discussion of the Rule in *Dickinson v. Petroleum Conversion Corp.*, *supra.*, to

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be entirely in accord with that statement in the opinion of the Court of Appeals below.

The petition should be denied.

Respectfully submitted,

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Of Counsel

June 1, 1955.

Appendix.

APPENDIX

Prayers in Civil Action 7744.

36. United claims, by way of set-off or recoupment against any payment that may be found due in Equity 2991 from United to Cold Metal, a *pro tanto* portion of the amounts collected by Cold Metal from unlicensed mill builders and unlicensed users, for operations within the scope of United's exclusive license. United has no present means except by an accounting herein of ascertaining the amounts that have been collected by Cold Metal for use in United's exclusive field as herein set forth, and no means for segregating said amounts from portions as to which United may have no interest or right, or may make no claim, and no means of determining that portion of such amounts collected by Cold Metal that should properly be treated as a set-off against or recoupment of any judgment that may be rendered against United in Equity No. 2991 except by the accounting proceeding here sought.

WHEREFORE, United, prays:

I. That a permanent injunction issue from this Court restraining Cold Metal, its successors, assigns, and all those representing or in privity with it:

(a) from bringing or threatening to bring any further suit for infringement of Patents 1,779,195 and 1,744,016, or either of them, against any user of four-high roller-bearing mills purchased from United, the use of which falls within the scope of the license which United holds from Cold Metal under said patents by virtue of the 1927 contract; and

Appendix.

(b) from further prosecuting any infringement suits that have been filed heretofore by Cold Metal, its successors and assigns, or any others representing or in privity with it, based upon the use of four-high roller-bearing mills that have been furnished to said defendants by United and used within the scope of the license held by United under the said 1927 contract; and

(c) specifically from bringing, threatening to bring, or prosecuting any pending suit against any user of four-high roller-bearing mills purchased from United and used within the scope of United's license, alleging infringement of Patent 1,779,195 by said user; and

(d) specifically from bringing, threatening to bring, or prosecuting any suit against any user of four-high roller-bearing mills purchased from United alleging infringement by said user of Patent 1,744,016 where the major portion of the power required by a roll stand is supplied to the rolls directly and not through tension exerted on the material for pulling it through the rolls; and

(e) from asserting to mill users, competitors of United, and all like persons, that United does not have or has never had any license relating to four-high roller-bearing mills under Cold Metal Patents 1,779,195 and/or 1,744,016; and

II. United further prays that a preliminary injunction issue forthwith, restraining Cold Metal and its successors, assigns, and all those representing or in privity with it, as set forth in the preceding sub-paragraphs *a, b, c, d, and e* of Prayer I, pending final hearing and decisions of the issues raised herein.

Appendix.

III. That Cold Metal be ordered to account for:

(f) All monies it has collected from users of four-high roller-bearing mills purchased from United that fall within the scope of United's license as defined in the 1927 contract between the parties hereto;

(g) All monies it has collected from unlicensed makers of four-high roller-bearing mills, and from users of four-high roller-bearing mills not purchased from United, falling as to structure and/or use within the exclusive license defined in the said 1927 contract between the parties hereto; and

IV. That a Master be appointed to take an account of all monies that have been so collected by Cold Metal, its successors, and privies, and to determine the amount of such collections within the field of United's license that are properly an offset to or recoupment of any payment that may be found due from United to Cold Metal in Equity No. 2991; and

V. That Cold Metal be ordered to repay to United, the expenses United has incurred in connection with the defense of suits which Cold Metal has heretofore brought against United's customers based on alleged infringement by use of four-high roller-bearing mills purchased from United and made, sold, and used within the scope of the said license; and

VI. That United recover from Cold Metal its costs in this action, including reasonable attorney's fees, in view of Cold Metal's wilful defiance and disregard of this Court's decisions as hereinabove set forth; and

Appendix.

VII. That the Court grant such other and further relief as the circumstances and evidence may justify.

UNITED ENGINEERING AND FOUNDRY COMPANY,
Plaintiff.

**Order Removing Case [Civil Action 7744]
from Trial Calendar.**

Counsel for the respective parties in this Action have appeared before me this day and have stated that they believe a pretrial would be premature at this time, because the issues of this Civil Action are in a major respect dependent upon disposition by the Court of the Report of a Special Master in Equity 2991, to which this case is ancillary, or in partial effect a counterclaim for recoupment or set off. That report of the Special Master was filed May 28, 1954. Objections are to be filed by July 15, 1954.

Counsel stated to the Court, that as presently advised, they prefer that the Master's report be disposed of by the Court before the present ancillary action is tried, because that disposition may make it undesirable to try the present Civil Action. Counsel therefore joined in a request that no pretrial be conducted at this time, and a request that this Civil Action be not set for trial pending disposition of the Master's report.

Now, therefore, the Court makes the following

ORDER

For good and sufficient reasons stated to the Court by Counsel for both parties, the pretrial conference heretofore fixed for July 8 is continued sine die, and this action is removed from the trial calendar of Sep-

Appendix.

tember 13, 1954, without prejudice to either party, subject to reinstatement for trial at any time by order of the Court upon its own initiative, or upon request by either party after reasonable notice.

MILLER,

United State District
Judge.

July 6, 1954

Approved:

JO BAILY BROWN,
Of Counsel for Plaintiff;
WILLIAM H. WEBB,
Of Counsel for Defendants.

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1955

No. 76

**THE COLD METAL PROCESS COMPANY and THE
UNION NATIONAL BANK OF YOUNGSTOWN,
OHIO, TRUSTEE, Petitioners,**

v.

**UNITED ENGINEERING & FOUNDRY COMPANY,
Respondent.**

**On Writ of Certiorari to the United States Court of
Appeals for the Third Circuit.**

BRIEF FOR RESPONDENT

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IN THE
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v.

UNITED ENGINEERING & FOUNDRY COMPANY,
Respondent.

On Writ of Certiorari to the United States Court of
Appeals for the Third Circuit.

BRIEF FOR RESPONDENT

OPINIONS BELOW

In the former litigation between the same parties, Equity 2506, for patent infringement, the opinion of the district court is reported at 3 F. Supp. 120, and the opinion of the Court of Appeals (dismissing United's appeal) is reported at 68 F. 2d 564. Certiorari denied 291 U. S. 675.

The opinion of the district court in this case, Equity 2991, on Cold Metal's* motion for a preliminary injunction

* The litigations herein referred to were originally brought by or against the petitioner, The Cold Metal Process Company, alone. Subsequently, in Equity 2991 and in Civil Action 7744, the second petitioner was added as a party, as the assignee of the first petitioner. For convenience, the first petitioner, or both petitioners, are herein referred to as "Cold Metal," and respondent is referred to as "United."

Questions Presented.

tion is reported at 9 F. Supp. 994; and the opinion of the Court of Appeals on that motion is reported at 79 F. 2d 666. The opinion of the district court after final hearing and before the reference to a master for an accounting is reported at 83 F. Supp. 914 (R. 171-177); and the opinion of the Court of Appeals after trial is reported at 107 F. 2d 27 (R. 178-188). The opinion of the district court on United's motion to file a supplemental answer and counterclaim in Equity 2991 is reported at 43 F. Supp. 375 (R. 188-192). There was no appeal from denial of that motion. The opinion of the district court confirming the Master's Report is reported at 132 F. Supp. 597 (R. 46-56); and the opinion of the Court of Appeals denying the motion to dismiss United's pending appeal is reported at 221 F. 2d 115 (R. 76).

In the copending litigation between the same parties, Civil Action 7744, the opinion of the district court dismissing United's ancillary cross-complaint is reported at 92 F. Supp. 596 (R. 193-200); and the opinion of the Court of Appeals (holding the complaint ancillary to, but properly a counterclaim in Equity 2991) is reported at 190 F. 2d 217 (R. 200-210).

QUESTIONS PRESENTED

The following questions are presented:

1. Is the judgment of the district court final and appealable under amended Rule 54 (b).
 2. Would the judgment of the district court have been final and appealable without amended Rule 54 (b).
-

*Statement of the Case.***STATEMENT OF THE CASE**

While petitioner's statement of the case is in most respects satisfactory, it fails to give the court the complete background out of which the two litigations now pending in the district court arose. It does not adequately show the relation of those litigations and the respective issues therein arising, necessary to a complete understanding of the nature and effect of the judgment in Equity 2991 that has been held by the trial court and the court of appeals below to be final and appealable under present Rule 54 (b). The prior litigations leading to the present judgment, and the prior pleadings, throw light on the propriety of a final appealable judgment at this stage of this long litigation.

On June 20, 1927, the parties entered into the patent license contract (R. 16-18) on which the pending litigation is based. The third paragraph of that contract (R. 17) provides for grant of the license defined therein to United, when and if a patent should issue to Cold Metal containing certain claims.

That patent (1,779,195) issued on October 21, 1930. Instead of granting the license, Cold Metal took the position—a position that it has ever since asserted in the courts below (R. 22-23, 38) and in other courts (R. 39, 40)—that United has never been entitled to receive, and has never actually received, any license under the 1927 contract.

On March 7, 1931, Cold Metal filed its suit in Equity 2506, charging United as an infringer, without license, of patent 1,779,195. United contested validity of that patent and, alternatively, pleaded license under the 1927 contract. On January 9, 1933, the district court found

Statement of the Case.

the patent valid, but dismissed the complaint because of the license contract. 3 F. Supp. 120. United appealed from the holding of validity; but, upon Cold Metal's motion, the appeal was dismissed by the appellate court below on January 3, 1934, on the ground that United, being a licensee, could not contest validity of the patent. 68 F. 2d 564; cert. den. 291 U.S. 675. This ended the proceedings in Equity 2506.

On July 7, 1934, Cold Metal filed an infringement suit under patent 1,779,195 against a subsidiary of the U. S. Steel Corporation, predicated in part on the use of a licensed United mill. United, on October 15, 1934, sought to enforce the decree in Equity 2506 by filing suit Equity 5059 against Cold Metal in Ohio (where Cold Metal was incorporated), seeking enforcement of the contract and praying that Cold Metal be restrained from suing users of licensed United mills (R. 100, 102, 104, 120, 123, 125). Previously, on July 9, 1934 and on October 3, 1934, United had asserted its *exclusive* license rights under the 1927 contract, by filing suits as exclusive licensee (joining Cold Metal) in Ohio and Indiana, respectively, against competing unlicensed mill builders for infringement of patent 1,779,195. See 9 F. Supp. 994 and 79 F. 2d 666.

Shortly thereafter, on November 17, 1934, Cold Metal filed its original complaint (R. 77-96) in the present action, Equity 2991, asking (R. 94) for (1) an injunction to restrain United from prosecuting its Ohio suit against Cold Metal, and United's two infringement suits as exclusive licensee and (2) determination of the amount payable by United under the 1927 contract. Cold Metal's motion for a preliminary injunction was denied by the district court. 9 F. Supp. 994. Cold Metal ap-

Statement of the Case.

pealed from this interlocutory order; and on September 27, 1935, the Court of Appeals reversed the district court and ordered that the preliminary injunction issue as prayed by Cold Metal. 79 F. 2d 666. In its opinion, the Court of Appeals stated that the 1927 contract could not be specifically enforced "because there are no terms to enforce"; that "the agreement not being a license, either *per se* or equitable," would not support the Ohio suit against Cold Metal; and that "United does not presently have an exclusive license" that would support its two pending infringement suits. 79 F. 2d 666, 669. Pursuant to mandate, the lower court issued a preliminary injunction on December 19, 1935, restraining United from prosecuting the three suits above mentioned.

On May 11, 1936, Cold metal filed its supplemental complaint (R. 127-134) in Equity 2991, asking the court to declare the 1927 contract "cancelled, revoked and annulled" and to enjoin United from any further operation under patent 1,779,195 (R. 134).

After a trial on the supplemental complaint, the district court, on January 4, 1938, again held the 1927 contract valid and enforceable, and directed an accounting before a master. 88 F. Supp. 914 (R. 171-177). In its decree (R. 18-20), dated February 4, 1938, the district court (as required by mandate of the appellate court) made the preliminary injunction permanent.

Cold Metal *alone* appealed. On June 15, 1939, the Court of Appeals *reversing* its previous decision (in 79 F. 2d 666), held that the outstanding injunction should be dissolved,* that the license contract was valid and en-

* The suits that United had been enjoined from prosecuting were later dismissed without prejudice.

Statement of the Case.

forceable, that United had the *exclusive* license defined in the contract, and that the master to be appointed for the purposes of an accounting could supply to the contract the missing rate of royalty from an "understanding" between the parties as shown by the record. 107 F. 2d 27 (R. 178-188).

On August 30, 1940, Cold Metal granted to the U. S. Steel Corporation an *unlimited* license to build, have built for it and use mills under patent 1,779,195, *inter alia*, and agreed to hold the Steel Corporation harmless against any claims by United under the 1927 agreement. Cold Metal also agreed to offer similar licenses to the entire steel industry (R. 24).

On June 20, 1941, United filed a motion in the district court for leave to file an amended answer and counterclaim in Equity 2991, complaining of Cold Metal's acts and seeking to enforce the 1939 adjudication of the Court of Appeals in Equity 2991 (R. 23-27). On February 18, 1942, the district court denied the motion, on the ground that the court could only carry out the existing mandate of the Court of Appeals. 43 F. Supp. 375 (R. 188-192). The opinion stated (R. 190-192) that the affirmative relief (injunction) sought by the counterclaim should be the subject matter of "another action," while the effect of the alleged breaches of contract by Cold Metal could be raised before the master in determining the payment due Cold Metal.

On September 29, 1943, the district court entered a decree appointing a master to determine the payment due from United for past operations under the contract, and to ascertain and state the rate and basis of payment on licensed mills sold thereafter (R. 20-22):

Statement of the Case.

On March 28, 1949, United filed its "Ancillary Cross Complaint," Civil Action 7744.* There United sought, *inter alia*, to enforce the previous decisions of the courts below (1) to enjoin infringement suits by Cold Metal against users of licensed United mills; (2) to require Cold Metal to account for moneys it had collected for use of the mills within the field of United's exclusive license, and (3) to recover such moneys *to the extent necessary to offset or recoup any amount of royalty that might otherwise be due from United for the license* (R. 42-44).

United filed a motion in Civil Action 7744 for a preliminary injunction to restrain Cold Metal from suing users of United licensed mills. Cold Metal filed a motion to dismiss the complaint (R. 192-193). Its motion was granted on August 28, 1950, Judge Follmer holding that the action was not ancillary to either Equity 2506 or Equity 2991. 92 F. Supp. 596 (R. 193-200).

United appealed. The Court of Appeals below, on June 8, 1951, held that the subject matter of United's complaint was *clearly ancillary* and within the jurisdiction and venue of the district court below, but stated that

*.Counsel for the parties have stipulated that the original "Ancillary Cross-Complaint," filed on March 28, 1949, need not be printed in the record, since it is essentially the same pleading as the "Amended Ancillary Complaint and Counterclaim" (R. 28-44), amended on October 29, 1951, except for the titles of the two pleadings and the use of the word "counterclaim" which appears in the amended pleading but not in the original pleading. See stipulation as to the parts of the record to be printed, dated October 28, 1955, and on file with the Clerk of this Court.

Statement of the Case.

the complaint should have been filed as a "counterclaim." 190 F. 2d 201, footnote 1 (R. 201). In an amendment to its opinion (Footnote 17, R. 209-210), the court stated that this "counterclaim" *was not a compulsory one*, on the ground, *inter alia*, that it had not matured until after the Court of Appeal's 1939 decision in 107 F. 2d 27 (R. 178-188), when (it said) for the first time "United became possessed of rights which it could litigate."

United thereupon, on October 29, 1951, filed its "Amended Ancillary Complaint and Counterclaim" in Civil Action 7744 (R. 28-44).

The master's report on the accounting in Equity 2991 was filed on May 28, 1954 (R. 8). Before objections thereon had been filed, Civil Action 7744 was noticed for pre-trial and trial before Judge Miller of the district court below. On July 6, 1954, counsel for Cold Metal and for United went before Judge Miller and *jointly* informed him that they *desired to dispose of the master's report before trial of the issues in the copending civil action*, and that those issues were—

"in a major respect dependent upon disposition by the court of the report of the special master in Equity 2991"—

and that disposition of the master's report might make it undesirable to try the copending civil action. Thereupon, Judge Miller entered an order, reciting the agreement of counsel on which it was based, continuing the civil action *sine die* and removing it from the trial calendar (R. 45-46). That was and still is the procedural status of what Cold Metal refers to as the unadjudicated "counterclaim" in Equity 2991.

Statement of the Case.

The master's report in Equity 2991 lists the licensed mills, fixes the royalty rate for the license, finds that United's license existed from 1930 to 1947 and that United's customers were licensed to use United mills within the scope of the license; and holds that certain United mills are exempt from royalty. It also finds that Cold Metal has failed to respect the license defined in the contract and has failed to perform its obligations under the contract in specifically stated respects, but nevertheless holds United liable to pay royalty for the license. Vol. II of United's Appendix, Appeal 11,582, pp. 38-42.*

The district court on January 19, 1955 approved the master's report in all respects (R. 46-56) and entered judgment against United for \$387,650 with interest at six per cent from the date of filing the master's report (R. 56-57). Both parties appealed (R. 9-10).

Cold Metal thereafter moved to dismiss United's appeal, on the ground that the district court's order was not in accordance with the provisions of Rule 54 (b).

On March 21, 1955 the Court of Appeals dismissed United's first appeal (R. 57-58), *because the district court had not complied with Rule 54 (b)*, but

"without prejudice to the right of the District Court, upon application of the appellant [United], to vacate its judgment * * * and to enter a final judgment therein in accordance with Rule 54 (b)"

United promptly moved (R. 58-59) the district court to vacate its first judgment and enter an amended

* Nine printed copies of this appendix were filed in this Court with the petition for certiorari.

Statement of the Case.

judgment in accordance with Rule 54 (b). Cold Metal opposed that motion. At the hearing thereon (R. 60-72), Judge Willson of the district court commented, as follows:

"But there is no question about it, * * * so far as I was concerned when I entered that [first] order, I intended a final appealable order with regard to the issue then before me, without question. [R. 66] * * * I think, so far as this Court is concerned, without a decision by the Court of Appeals on that report [of the special master], that we would just be wandering in an area where we couldn't see our way out if we tried any other issue until this case is decided. [R. 69.] * * *

With all deference to other Courts and to counsel in this case and to you, Mr. Webb, I feel they are entitled to have this order. I personally would like to see the Court of Appeals pass on this matter because I think it will in the long run facilitate this litigation, in the hope that at some time it will come to a termination and an end. I don't think it can until they have decided this case. [R. 70.]

* * * I think if we get a clear cut decision from the Court of Appeals on this question, on this Master's report, and the issues that are raised, and the objections, I think then any Court here, in this Western District of Pennsylvania, will be—the way will be pointed out whereby those matters can be adjudicated. And without that, I think we are just wandering. I know this Court at least would wander around in a forest where you couldn't see your way out. [R. 71.]"

Statement of the Case.

An amended judgment, in accordance with Rule 54 (b), was entered by the district court below on March 30, 1955 (R. 73-74). Again both parties appealed. Cold Metal moved to dismiss United's appeal from the amended judgment (R. 74-75). That motion was denied by the Court of Appeals on April 21, 1955 (R. 77). In its opinion, accompanying the order of denial, the court said (R. 76) :

"We think the determination made under the circumstances of this case is the very kind of thing Rule 54 (b) was written to provide for."

On the record in the Court of Appeals below, United's appeal contests the judgment, on the ground, *inter alia*, that Cold Metal has no standing to collect royalty under a license which, as the master found, it has always denied, repudiated, and breached. Cold Metal contests *inter alia* the rate of royalty, the exclusion of certain mills from royalty payments, the amount of the judgment, the holding that United ever possessed any license, the scope of the license (if any has existed), and asserts a right to maintain its current suits now being prosecuted against users of United mills as *infringers* by their use of the very mills on which royalties have been assessed by the master against United.

On October 3, 1955, a week before certiorari was granted by this Court, the parties argued their respective appeals on the merits to the Court of Appeals below. That court has not handed down any decision, presumably awaiting the decision of this court in the cause being argued here.

*Summary of Argument.***SUMMARY OF ARGUMENT**

The basic question presented for review in this case is whether the district court has entered an appealable judgment in Equity 2991.

Even if it be assumed that the judgment of the district court would not have been appealable in the absence of amended Rule 54 (b); it is made appealable by that rule *per se*; and, when given that effect, the rule is valid and has been properly applied in this case. Even if the amended rule makes some adjudications final (and therefore appealable) that were not so before its adoption, that does not mean that the rule invalidly enlarges appellate jurisdiction. Amended Rule 54 (b) is procedural, and definitive of what constitutes a final judgment for purpose of appeal, (even though other claims remain to be tried) and that is within the procedural rule-making power of this Court.

We argue the propriety of our appeal under Rule 54 (b) as construed by the Court of Appeals for the Third Circuit in *Bendix Aviation Corp. v. Glass*, 195 F.2d 267 (1952).

We also argue, out of abundance of precaution, that under the facts of this case, the judgment of the district court is appealable on the ground that Civil Action 7744 (the so-called "counterclaim") can be maintained and tried as a separate ancillary action,—as the district court clearly intended.

In addition, the judgment of the district court would have been final and appealable under *original* Rule 54 (b), since if it is a "counterclaim" at all, it is a *permissive* and not a *compulsory* one. Finally, since the

Summary of Argument.

judgment is for the payment of money and bears interest and was subject to immediate execution, it would have been appealable (in the absence of amended Rule 54 (b)) under *Forgay v. Conrad*, 6 How. 201 (1848). If the appealability of the judgment below is sustained on any of the grounds stated in this paragraph, the effect of amended Rule 54 (b) as applied to this case is merely procedural and formal; and the rule has not, *per se*, created a final and appealable judgment in this case where none could have been entered except for the rule. Even if it has done so that is within the intent and wording of the rule, and is within the proper rule making power of this court.

*Argument.***ARGUMENT****I. The judgment of the district court is appealable under amended Rule 54 (b).**

The judgment of the district court is clearly appealable under the "affirmative" construction of Rule 54 (b), as stated in many decisions. The district court properly exercised its discretion in applying the rule in this case and entering a final judgment in accordance with that rule.

We see no reason to argue at length to this Court its rule-making power, or the validity of its own rule, adopted after careful consideration. On this point, the leading decision is that of the Court of Appeals for the Third Circuit in *Bendix Aviation Corp. v. Glass*, 195 F. 2d 267 (1952). In that case, Judge Maris, speaking for a majority of the full bench, upheld the validity of amended Rule 54 (b) as applied to a final judgment dismissing the complaint, but leaving a counterclaim, for damages arising from the same transaction, pending and untried. It was conceded that the judgment would not have been final and appealable before the adoption of the *amended* rule. That case has now been followed by all of the Courts of Appeals that have had occasion to apply and pass directly on the validity of the rule. We believe that Judge Maris was correct in holding in the *Bendix* case that the effect of amended Rule 54 (b) is procedural and definitive for determining appealability of a judgment on one but not all of multiple claims pending between the parties in the district court, and is clearly within the rule making power of this Court. We adopt his careful reasoning as to the intent and effect of the amended rule as applied to multiple severable claims as our main position before this Court.

Argument.

In addition we adopt and urge as supporting our position the reasoning of Judge Clark of the Court of Appeals for the Second Circuit in *Reiser v. B. & O.*, 224 F.2d 198, June 9, 1955.

Other reasons for construing and upholding the validity of Rule 54 (b) as applied to our case are discussed in respondent's brief, pp. 24-39, in *Sears, Roebuck v. Mackey*, to be argued immediately before the present case. We believe the arguments there made (so far as pertinent to our case) are sound; and, that it would be redundant to paraphrase and repeat them here.

Rule 54 (b) does not, as contended by Cold Metal, give the district courts power "conclusively to fix appellate jurisdiction." A final judgment can be entered under the rule only on a claim that has been completely disposed of by the trial court. It is not inherently any less final because it has been joined at the *pleading* stage with a separable claim that remains unadjudicated. As we understand it, separable claims that under Rule 13 must or may be *joined* at the pleading stage, may by present Rule 54 (b), for purposes of appeal, be *severed* at the judgment stage. In each case, the joinder and severance is merely a matter of *procedure* authorized by the rules of this Court. Such procedure does not create or destroy substantive rights, or contravene statutory appellate jurisdiction.

If United's claim in Civil Action 7744 must be considered solely as a counterclaim in Equity 2991, Rule 54 (b) is clearly applicable to this case. Equity 2991 then contains separable multiple claims for relief, specifically, Cold Metal's claim for payment on the contract, and United's counterclaim *inter alia.*, for set-off or recoup-

Argument.

ment maturing only when and if the present judgment stands as a result of the appeals now pending. United's claim is based on affirmative rights arising out of Cold Metal's violation of its contractual obligations and its disregard of the final adjudications of the courts below.

The district court in entering its amended judgment, left no doubt (R. 66) that it had *intended its original judgment to be final and appealable*, aside from the formalities required by Rule 54 (b). In dismissing United's *first* appeal, the Court of Appeals clearly indicated that it was doing so solely because those formalities had not been complied with, stating (R. 57-58) that the dismissal was

"without prejudice to the right of the District Court * * * to vacate its judgment * * * and to enter a final judgment therein in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure."

Thereafter in amending its judgment to conform with Rule 54 (b), the district court stated that the issues raised by United's counterclaim could not be intelligently tried until the basic, controlling issues raised by objections of both parties to the master's report were finally determined by the Court of Appeals. Excerpts from the district court's statements (R. 60-72) are quoted in this brief at page 10.

The question of whether or not the district court had abused its discretion in entering its amended judgment under Rule 54 (b) was raised in Cold Metal's motion to dismiss United's second appeal (R. 74-75) and was

Argument.

fully argued before the Court of Appeals below. In denying the motion, that court said (R. 76).

"We think the determination made under the circumstances of this case is the very kind of thing Rule 54 (b) was written to provide for. We see not [no] violation of discretion on the part of the district judge in entering it."

The prayers in Civil Action 7744 for *injunction* is dependent upon a final decision by the Court of Appeals on the contested issue of the scope and effectiveness of United's license.

The prayer for *recoupment or set-off* in Civil Action 7744 is effective and intelligently triable only when and if it is finally decided that United must pay a definite amount of royalty under the facts established by the master's report. It arises and can be intelligently litigated if, and only if, and after, there is a final determination, *inter alia*, of the rate and amount of royalty payable and the mills involved under the contract here in suit in the present appeals, which have been argued but not decided in the Court of Appeals below. Cold Metal traverses the decision of the Master and the district court below on those issues, by its pending appeal. To try the counterclaim without appeal on the issues raised by the master's report would complicate and greatly prolong further proceeding in the trial court.

If United at this stage had to establish a liquidated basis for recoupment and set-off, it could do so only speculatively. It would have to proceed without final knowledge of the amount it would have to prove to offset Cold Metal's claim, and without final knowledge as to what amount collected by Cold Metal in the field of United's

Argument.

exclusive license would be over and above a here contested and therefore possibly changed rate and basis of royalty for the license. Also, if Cold Metal's position that United has never had any license is sustained on appeal, United's whole claim is disposed of thereby, whether called a counterclaim or an ancillary suit. In addition, if United's position (raised by its appeal) that Cold Metal has so materially breached the contract in suit as to destroy its right to any payment under the contract is sustained in the pending appeals, then United will owe nothing to Cold Metal and will have no claim for a set-off or recoupment.

The basic and controlling issues decided by the trial court and now contested by the pending appeals in Equity 2991 have been treated by two judges of the district court as properly severable for trial from the dependent issues raised by Civil Action 7744. That is shown by Judge Miller's order of July 6, 1954 (R. 45-46) in the civil action, postponing *sine die* the trial of that action pending disposition of the master's report in Equity 2991. It is also shown by the statements of Judge Willson on the argument before him on United's motion to enter an amended judgment in accordance with Rule 54 (b) (R. 60-72).

Argument.

II. In the absence of amended Rule 54 (b), the judgment of the district court in this case would have been appealable.

Under the circumstances of this case above set out, it is submitted that the judgment of the district court would have been final and appealable before the adoption of amended Rule 54 (b).

(1) *Civil Action 7744 (the so-called "counter-claim") would have been maintainable as a separate ancillary action under pre-rules practice.*

In Equity 2506, the adjudication of the courts below (3 F. Supp. 120; 68 F. 2d 564) established (1) United's immunity from suit as an infringer of patent 1,779,195; and (2) United's right to have the same immunity extended to its customers. *Kessler v. Eldred*, 206 U.S. 285 (1907).

In Equity 2991, the 1939 decision of the Court of Appeals, after a trial on the merits, restored the effectiveness of the adjudication in Equity 2506* and established that United had an *exclusive* license under the 1927 contract. 107 F. 2d 27 (R. 178-188). Thereafter Equity 2991 remained open on the pleadings therein *only* for an accounting to determine the amount, if any, that United must pay to Cold Metal under the 1927 contract. As to all substantive issues encompassed in

* That adjudication had, in effect, been overruled by the 1935 decision of the Court of Appeals in Equity 2991, 79 F.2d 666, which had left United without any affirmative rights under the 1927 contract.

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the Court of Appeal's decision, Equity 2991 was closed. 43 F. Supp. 375 (R. 188-192).

Shortly after the mandate on the 1939 appellate decision came down, Cold Metal began the series of illegal acts referred to in United's ancillary complaint, Civil Action 7744 (R. 28-44), including the granting of *unlimited* licenses to mill users to make and have made for their own use the mills covered by United's exclusive license, and the filing of infringement suits under patent 1,779,195 against users of United licensed mills.

United sought to enforce the substantive rights it believed established by the 1939 decision of the Court of Appeals. It first tried to do so (June 20, 1941) by *asking leave to counterclaim in Equity 2991* (R. 23-28). The district court, however, denied such leave (R. 188-192), on the ground that the issues remaining before the district court in that suit were limited by the mandate of the Court of Appeals to an accounting for the payment due Cold Metal, and that (R. 192) United could enforce its substantive rights only *by bringing "another action"* against Cold Metal. 43 F. Supp. 375.

On March 28, 1949, United filed its "Ancillary cross-complaint" in Civil Action 7744. To the extent that action sought to restrain Cold Metal from suing users of United licensed mills, it was based on the enforcement of the final judgments in Equity 2506 and 2991. *Kessler v. Eldred*, 206 U.S. 285 (1907). To the extent that the Civil Action sought affirmative relief and a set-off or recoupment and reimbursement for counsel fees in Cold Metal's suits against users of United licensed mills, it was predicated on Cold Metal's acts in violation of

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United's *exclusive* license rights as stated in the 1939 decision of the Court of Appeals.

Under pre-rules practice, the ancillary complaint in Civil Action 7744 would have been maintainable as a separate action to construe and enforce the final judgments of the courts below between these same parties. *Root v. Woolworth*, 150 U.S. 401 (1893); *Cincinnati R. R. v. Indianapolis Ry.*, 270 U.S. 107 (1926); and cases there cited. As stated by this Court in the *Root* case (at pp. 411-412), one purpose of an ancillary action is "to avoid the *relitigation* of questions once settled between the same parties."

The Court of Appeals, however, held (190 F. 2d 217, footnote 1; R. 201) that United's ancillary cross-complaint was not a pleading "which finds sanction in the Federal Rules of Civil Procedure," and should have been filed as a "counterclaim" in Equity 2991, although the trial court (43 F. Supp. 375) had held to the contrary. We question the correctness of that statement of the appellate court. The Federal Rules of Civil Procedure have not abolished such ancillary actions. See Moore's Federal Practice (1st Ed.), Vol. 1, pp. 462-465; *Jones v. Nat'l Bank*, 157 F. 2d 214 (C.A. 8, 1946); *Klages v. Cohen*, 146 F. 2d 641 (C.A. 2, 1945); and compare Rule 60 (b), expressly permitting independent ancillary actions to obtain relief from judgments.

While United was required by the decision of the Court of Appeals (190 F. 2d 217, R. 200-210) to amend its civil action, and did so (R. 28-34), to recite that it was *in part* a counterclaim in Equity 2991, the amendment was in effect a change in nomenclature. It did not change the status of that pleading in so far as it was

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an independent ancillary action, if it was originally maintainable as such. The Federal Rules emphasize that the nomenclature of pleadings is unimportant and that pleadings shall be construed "to do substantial justice." Rules 8 (c) and 8 (f).

- (2) *The judgment would have been appealable under original Rule 54 (b).*

If United's claim in Civil Action 7744 must be considered purely a counterclaim, it is *not* a *compulsory* one either under the Federal Rules or under former Equity Rule 30. The Court of Appeals has so held (190 F. 2d 217, footnote 17, R. 208-210), on the grounds (1) that United's claim had not *matured** until Equity 2991 had been tried on the merits and United's license rights under the 1927 contract had been established by the 1939 decision of the Court of Appeals (107 F. 2d 27, R. 178-188), when United for the first time "became possessed of rights which it could litigate"; and (2) that, even if United's claim had matured earlier, its claim had been asserted against Cold Metal in another pending action brought before the filing of Equity 2991 (Equity 5059 in Ohio, filed October 15, 1934).

While the Court of Appeals has said (190 F. 2d 217, R. 207) that United's claim

"grew out of the same 'transaction' or 'occurrence' which created Cold Metal's claim, viz., the 1927 agreement * * *"

* See *Goodyear v. Marbon*, 32 F. Supp. 279 (D. C. Del., 1940); Moore's Federal Practice (2d Ed.), Sec. 13, 32; and Cyclopedia of Federal Procedure (2d Ed.), Vol. 5, Sec. 1788, p. 457.

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that statement is not complete. Throughout the litigation between these two parties, it is United that has been seeking to uphold the 1927 license contract and Cold Métal that has been seeking to destroy it. This is clear from the cited decisions in the prior litigations. United's claim in Civil Action 7744 is primarily based on facts arising subsequent to the 1939 decision of the Court of Appeals (R. 178-188), e.g., Cold Metal's granting direct licenses in United's exclusive field. These facts are different from those on which Cold Metal bases its claim for payment under the contract in suit. They involve acts of Cold Metal after the contract was construed and established by the appellate court in 1939. Under these circumstances, United's pleading in Civil Action 7744, (in so far as it is a "counterclaim") is a *permissive* one and did not arise out of the same "transaction or occurrence" as Cold Metal's claim. Under *original* Rule 54 (b), therefore, the adjudication of Cold Metal's claim for payment was all that would have been necessary for the entry of a final judgment.

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- (3) *The judgment would have been appealable under the principle of Forgay v. Conrad.*

This Court has, in proper cases, approved appeals from the adjudication of *part of the issues* in a litigation, while other issues remained for later adjudication, to be disposed of in the light of an intermediate appellate decision on *vital issues and guiding principles*.

In *Forgay v. Conrad*, 6 How. 201 (1848) the court said (p. 204) that

"when the decree * * * directs the defendant to pay a certain sum of money to the complainant and the complainant is entitled to have such decree carried immediately into execution, the decree must be regarded as a final one to that extent, and authorizes an appeal [although other unadjudicated issues remain in the case]."

Appeals of this type that have been approved by this Court are referred to in *Radio Station WOW v. Johnson*, 326 U.S. 120 (1945).

The judgment below falls within this class of appealable judgments. It was for the payment of money, it bears interest, and it was subject to immediate execution. There would be even more justification in applying the above principle to the present case than in the *Forgay* case, which involved only a single claim that was partially, but not fully, disposed of.

Argument.**Conclusion.**

The appellate court below has properly heard appeals by both parties from a judgment in this case that complies in all respects with the procedure required by Rule 54 (b). That rule and the trial court's order clearly make the judgment in question final and therefore appealable. In effect the rule *defines* finality in a specific limited situation, and established procedure by which disposition of one claim may be final and appealable even though other claims pending between the parties remain adjudicated. The rule is procedural, definitive, and valid, and as applied to our case does not conflict with any statute. The judgment in this case would have been appealable in the absence of amended Rule 54 (b). Application of the rule to this case removed any arguable uncertainty of finality that might otherwise have arisen when this case reached the appellate court. We believe that result is within the basic purpose and effect of the amended rule.

Respectfully submitted,

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